



IAB/PwC Internet Advertising Revenue Report

Full Year 2016 and Q4 2016

April 26, 2017

IAB/PwC Internet Ad Revenue Report: Full Year 2016 and Q4 2016

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

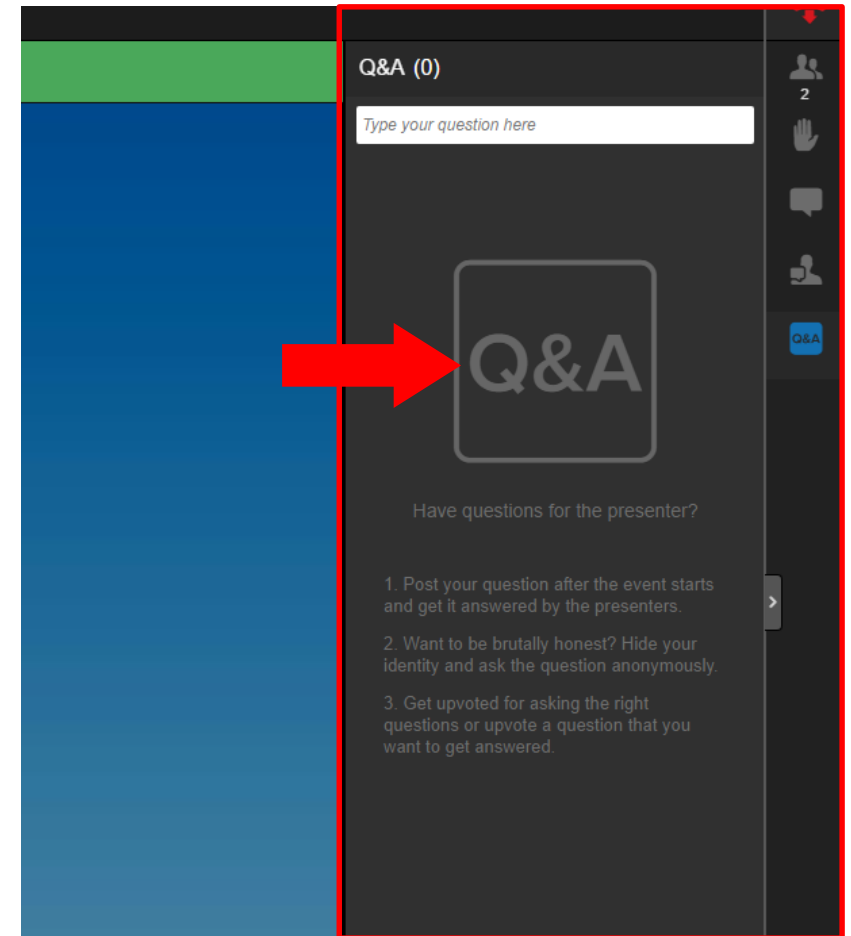
- **Q & A**

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>

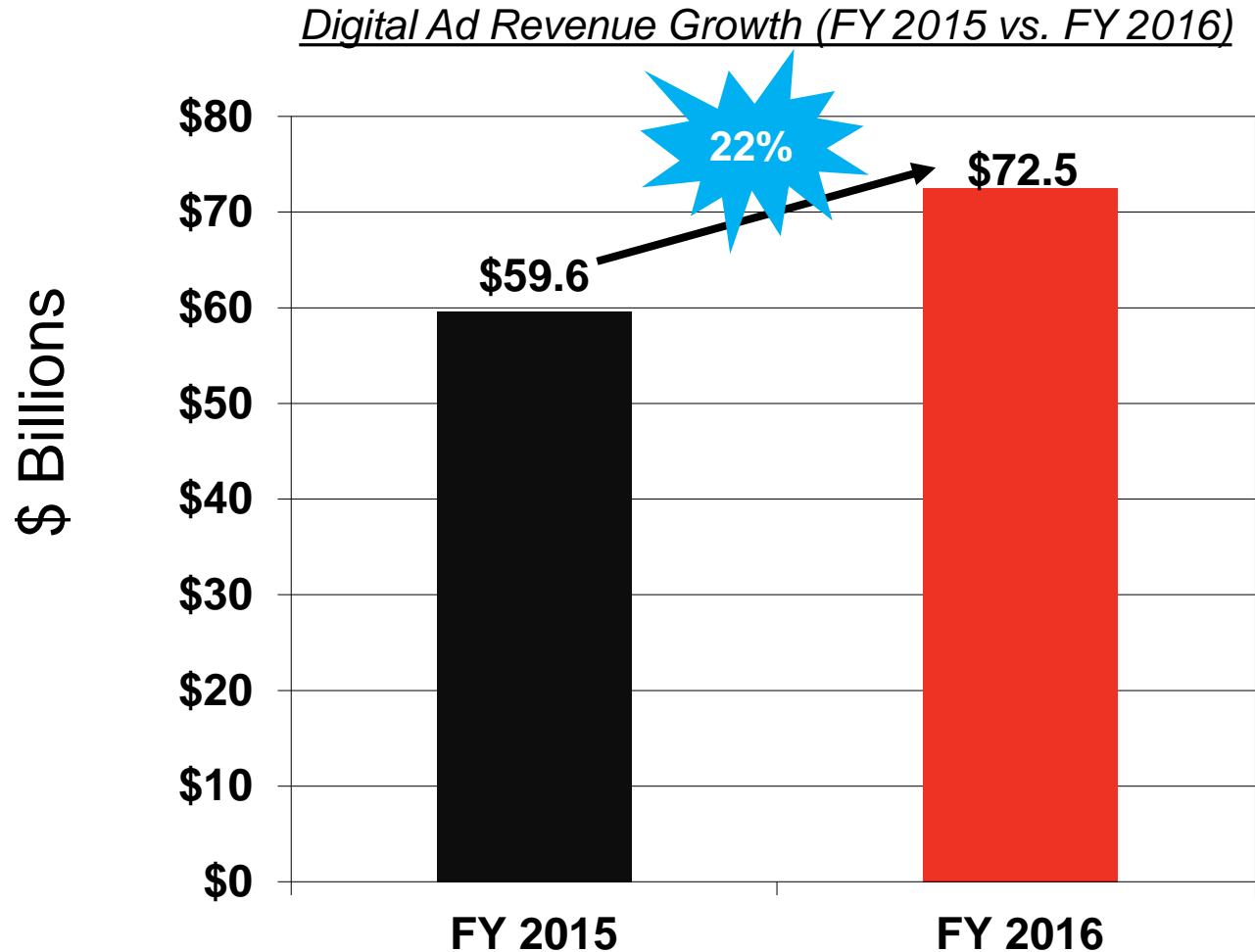


Full Year 2016

IAB Internet Advertising Revenue Report Highlights

David Doty, EVP and CMO, IAB

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



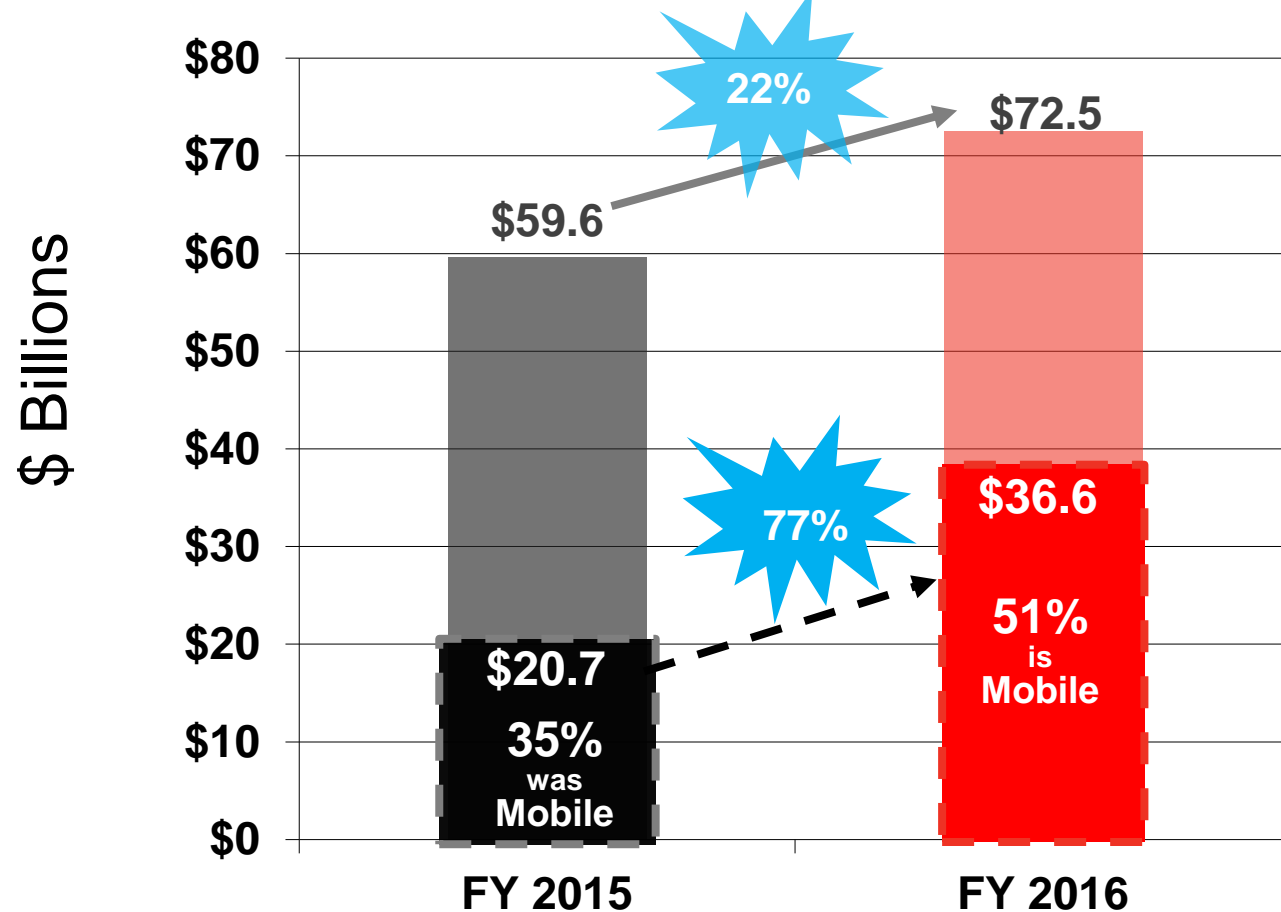
Total Media Ad Revenue Growth (FY 2015 vs. FY 2016)

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

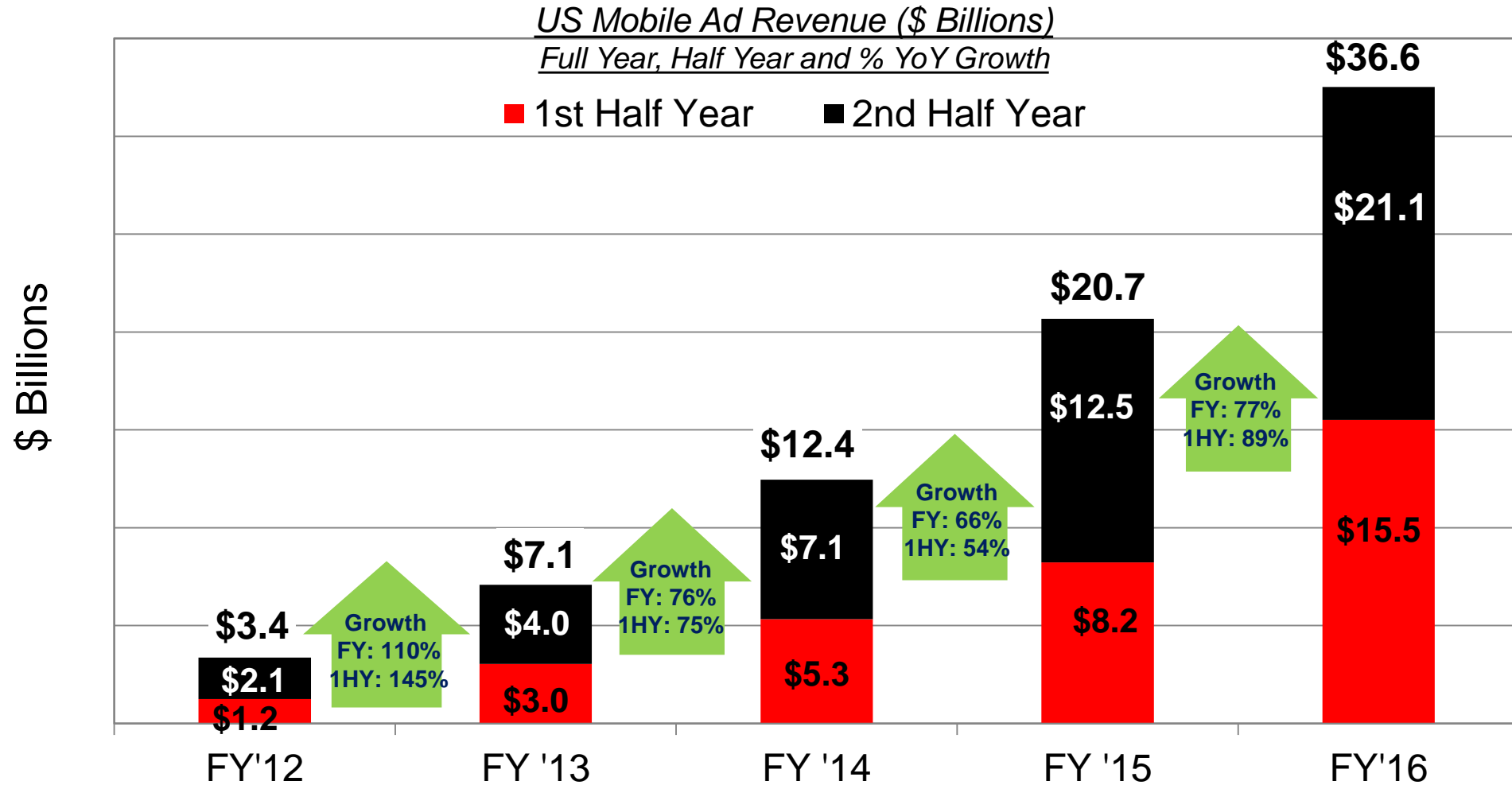
*The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons), Apr. 2017

Mobile Has Grown to Account for Over Half of Digital Ad Revenue for Full Year 2016

*Mobile as a Percentage of Digital Ad Revenue Growth
(FY 2015 vs. FY 2016)*



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



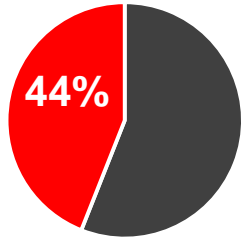
Note: Full Year totals accurately reflect the sum of Half Year totals as rounded to two decimal places.

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% increase YOY to \$4.2 billion
- **Desktop video** is also up, 16% YOY to \$4.9 billion in FY 2016

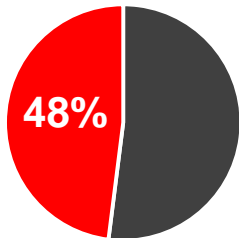
Display and Search Revenue Moving to Mobile

% 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

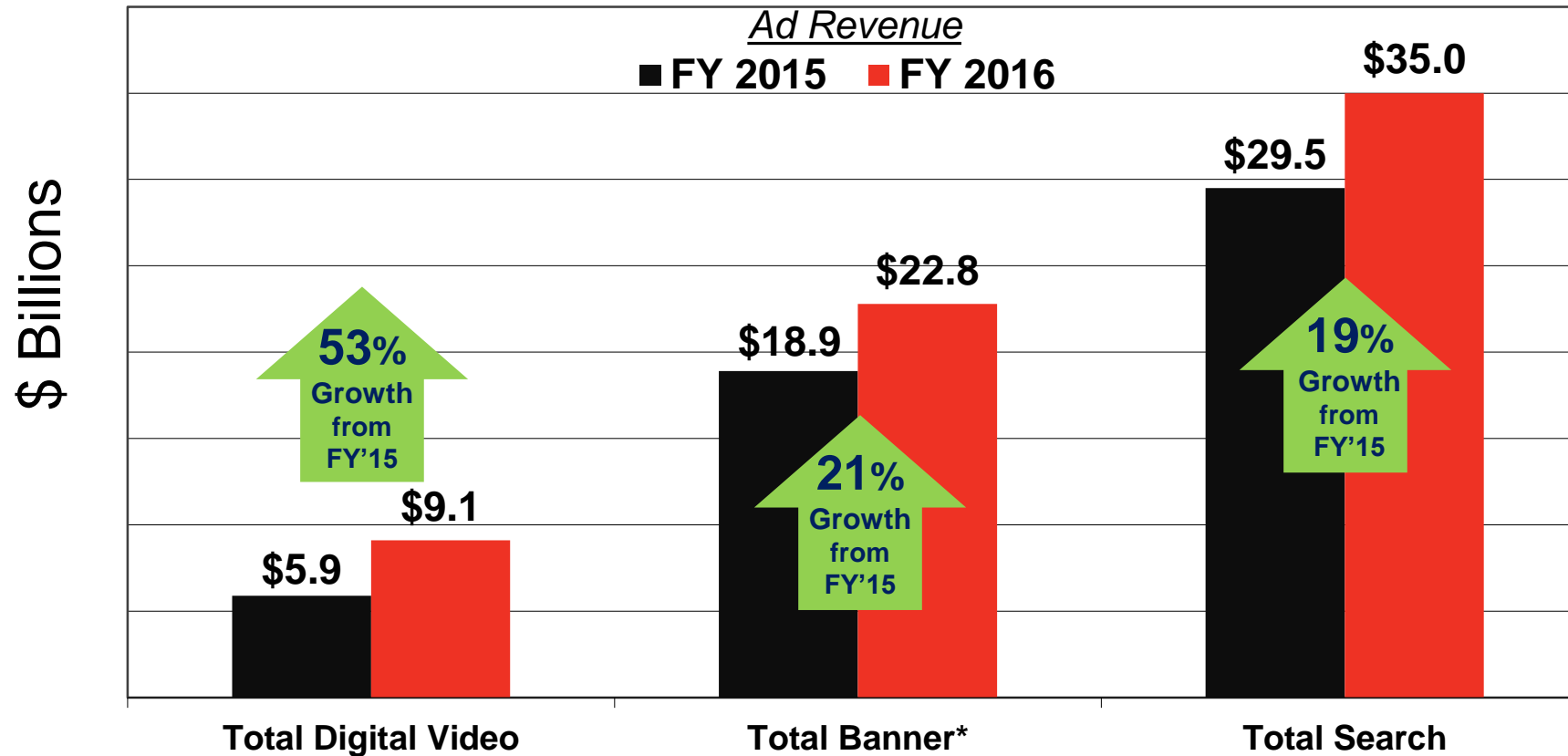


Search:

- **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



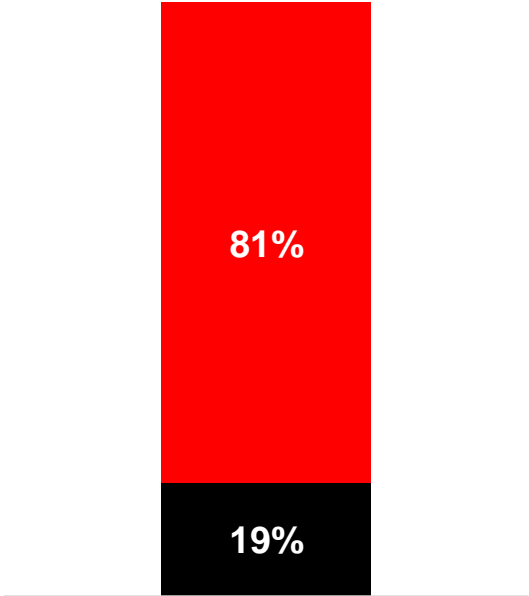
*Total Banner includes banners, rich media, and sponsorships

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

Total Audio Ad Revenue (Mobile + Desktop) FY 2016

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

\$1.1B

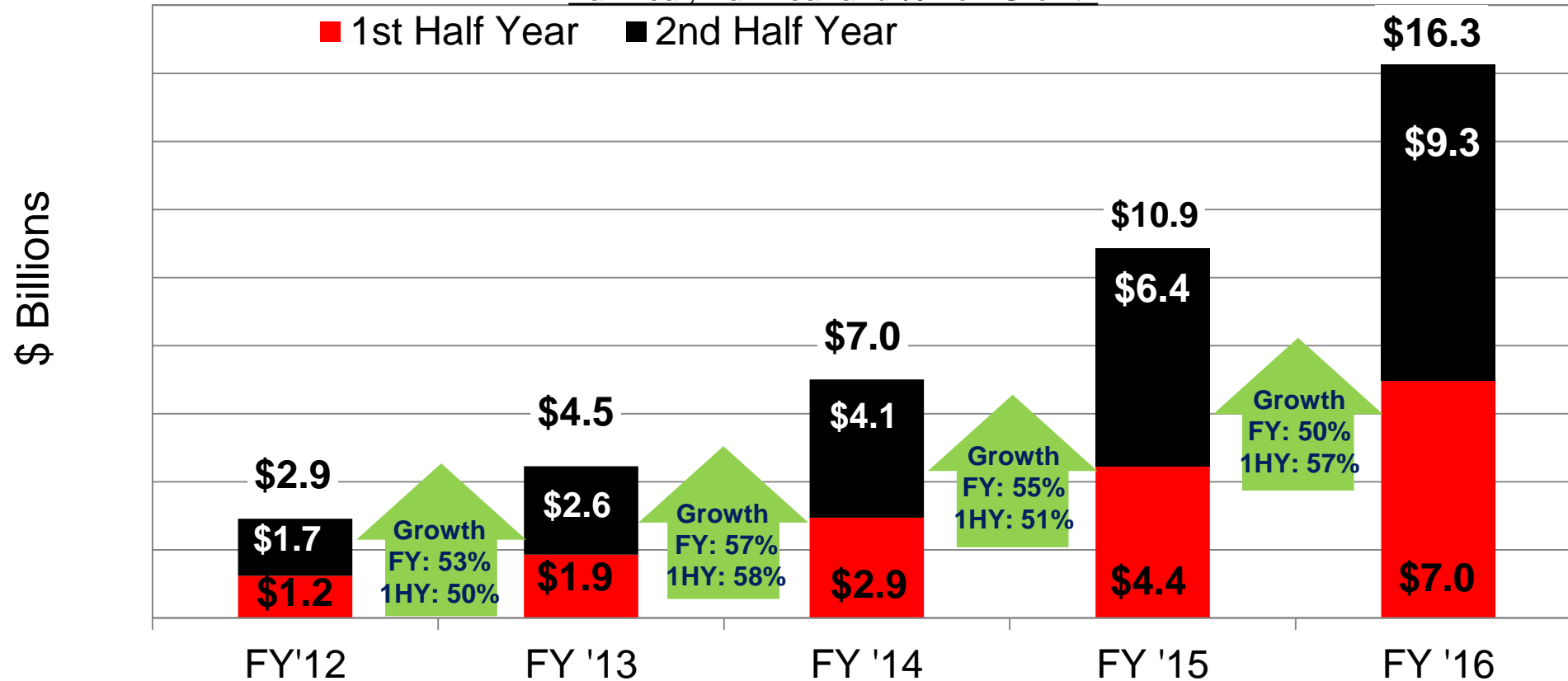


Total Audio

■ Mobile ■ Desktop

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*

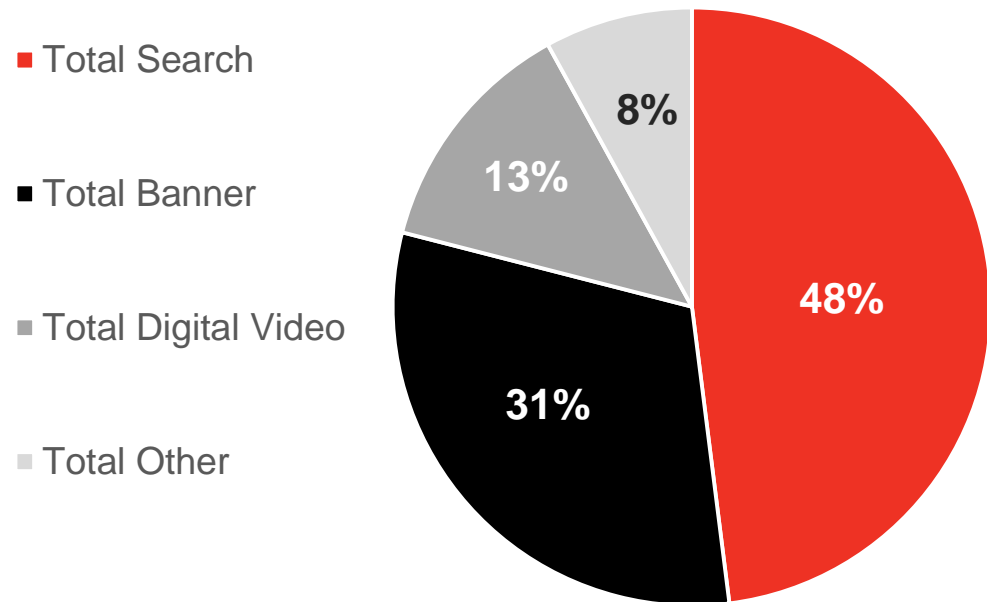


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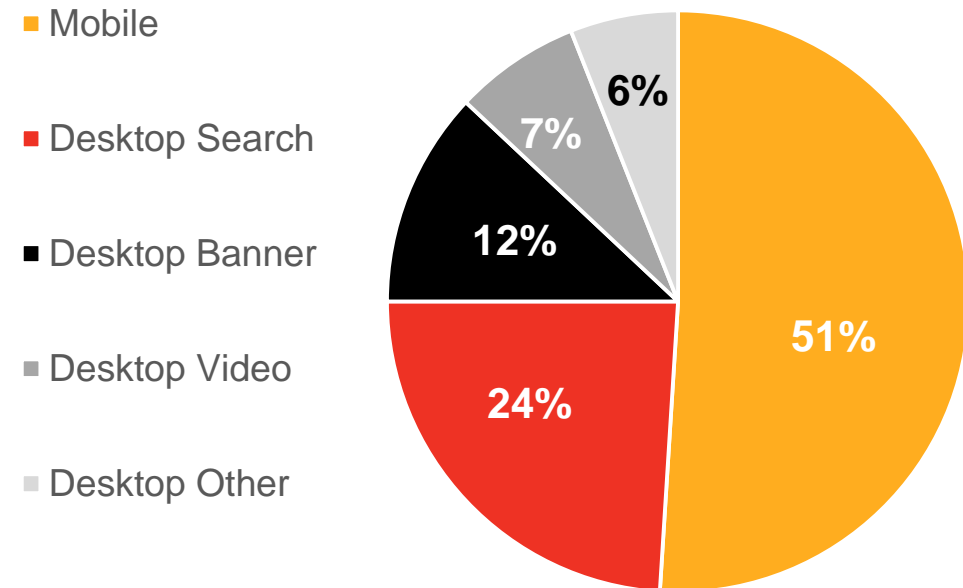
Mobile Combined with Desktop Shows a True Picture of Total Digital Formats

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

Combined Digital Formats* (Mobile + Desktop)



Desktop Formats* (with Mobile Separated)



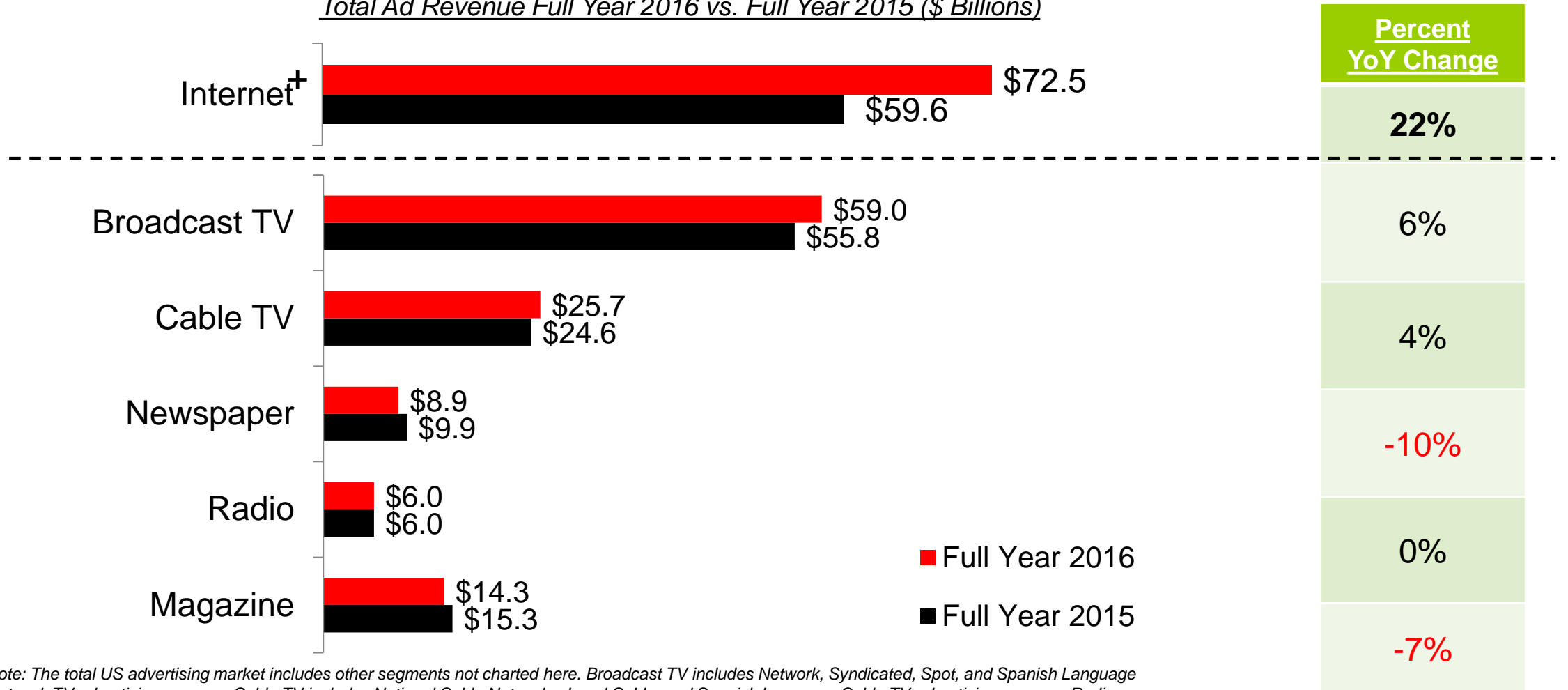
**Banner includes banner, sponsorship, and rich media advertising. Other includes lead gen, classifieds, audio and unspecified other. 2015 data in FY2016 report may vary from 2015 data in FY15 report due to reclassification of Audio from "Rich Media" (or "Banner") to "Other." Amounts may not equal 100%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

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



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.

Q4 2016

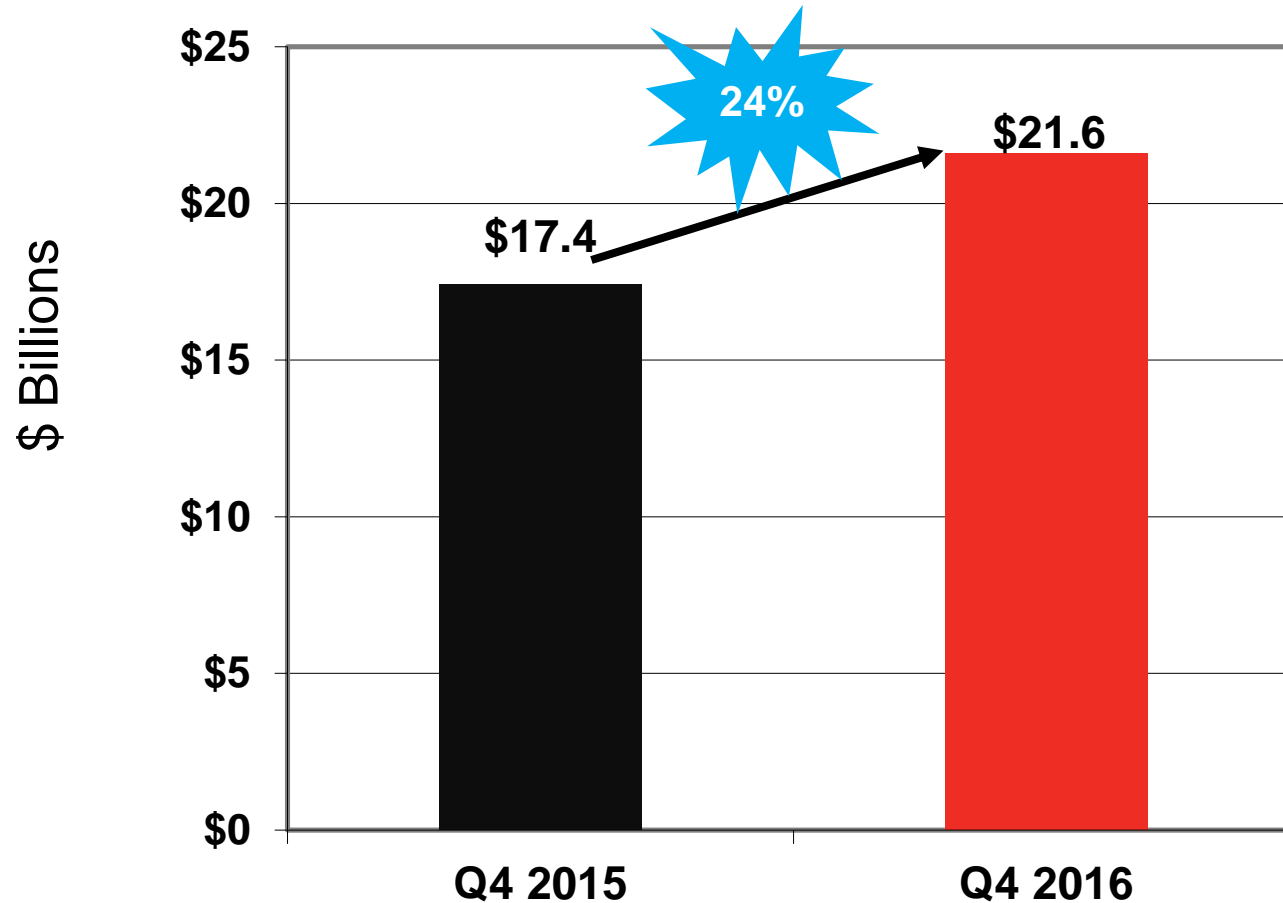
IAB Internet Advertising Revenue Report

Highlights

Kristina Srugonis, Research Director, IAB

Q4 2016 Revenue Compared to Q4 2015

Digital Ad Revenue Growth (Q4 2015 vs. Q4 2016)

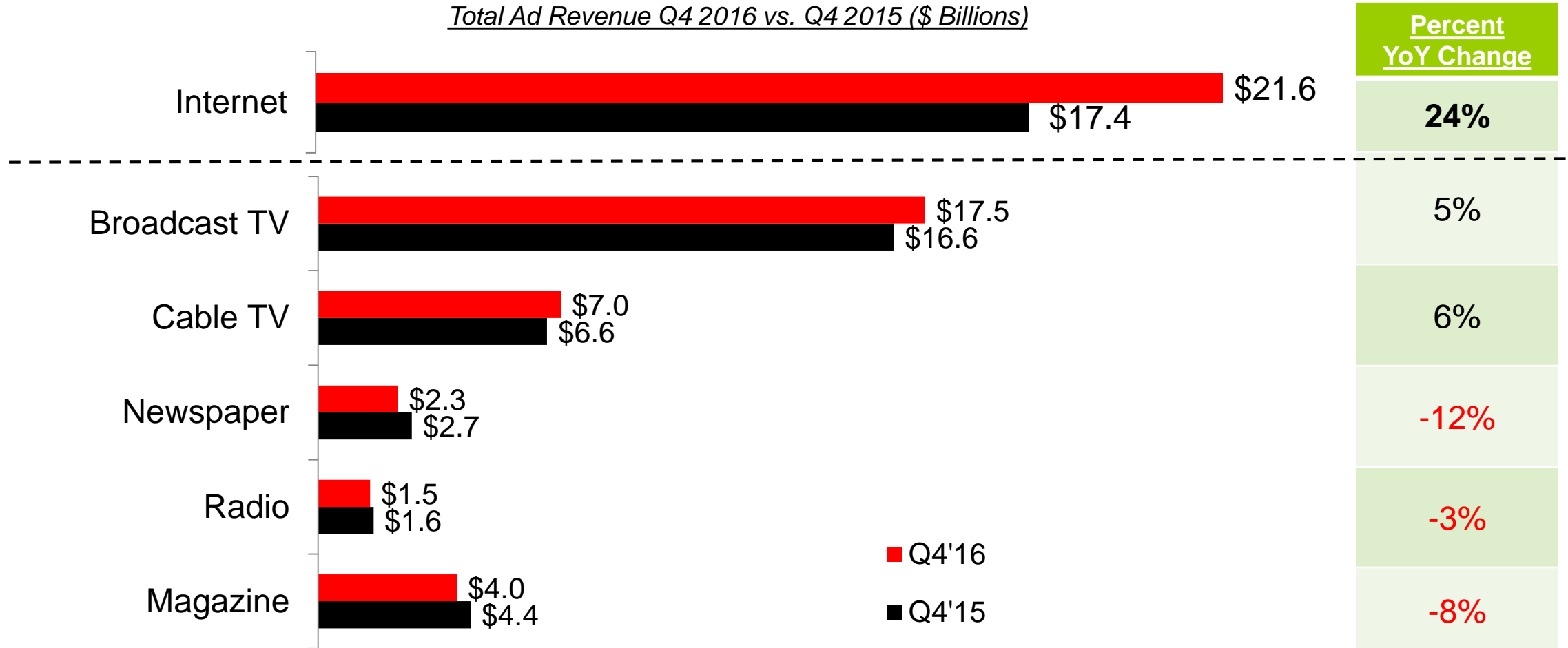


Total Media Ad Revenue
Change
(Q4 2015 vs. Q4 2016)

According to Nielsen,
total media revenues
increased by 1%
from Q4 2015 to Q4 2016
to **\$34.3B***

Q4 2016 Ad Revenue Growth: Digital vs. Top Non-Digital Media

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



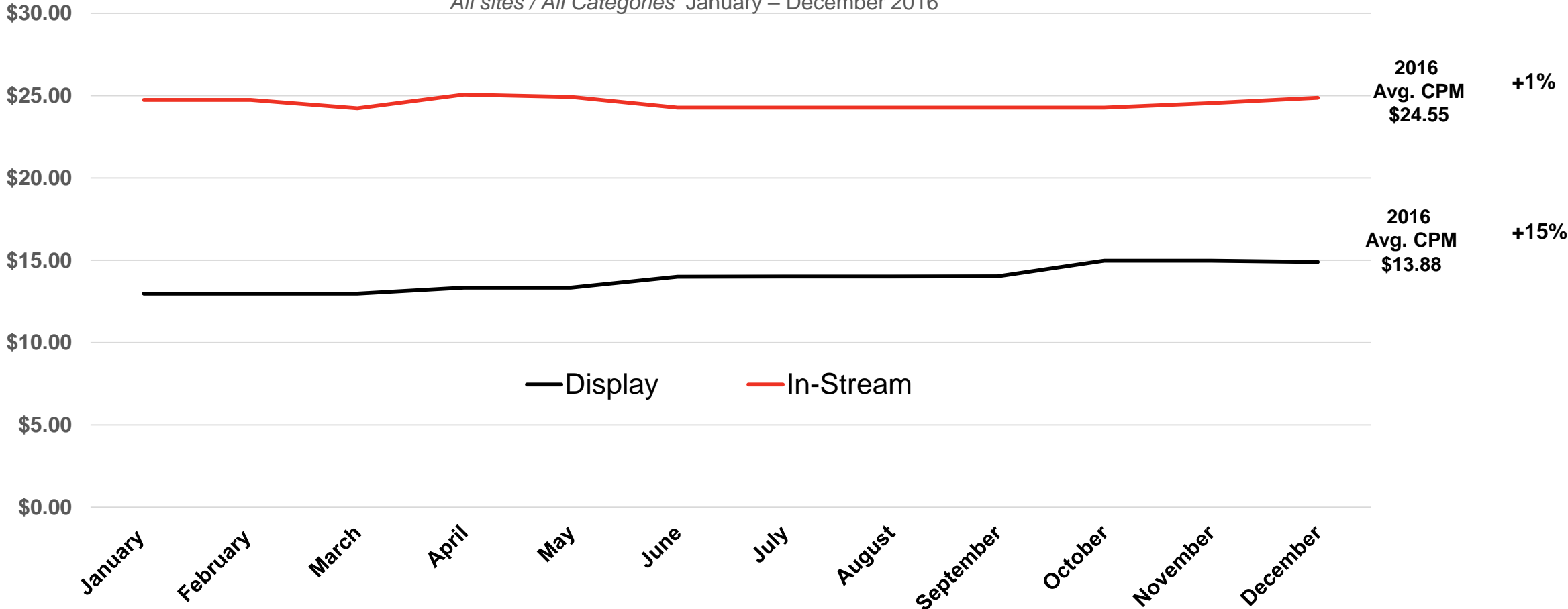
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Average CPM Monthly Trend: Display and In-Stream Video

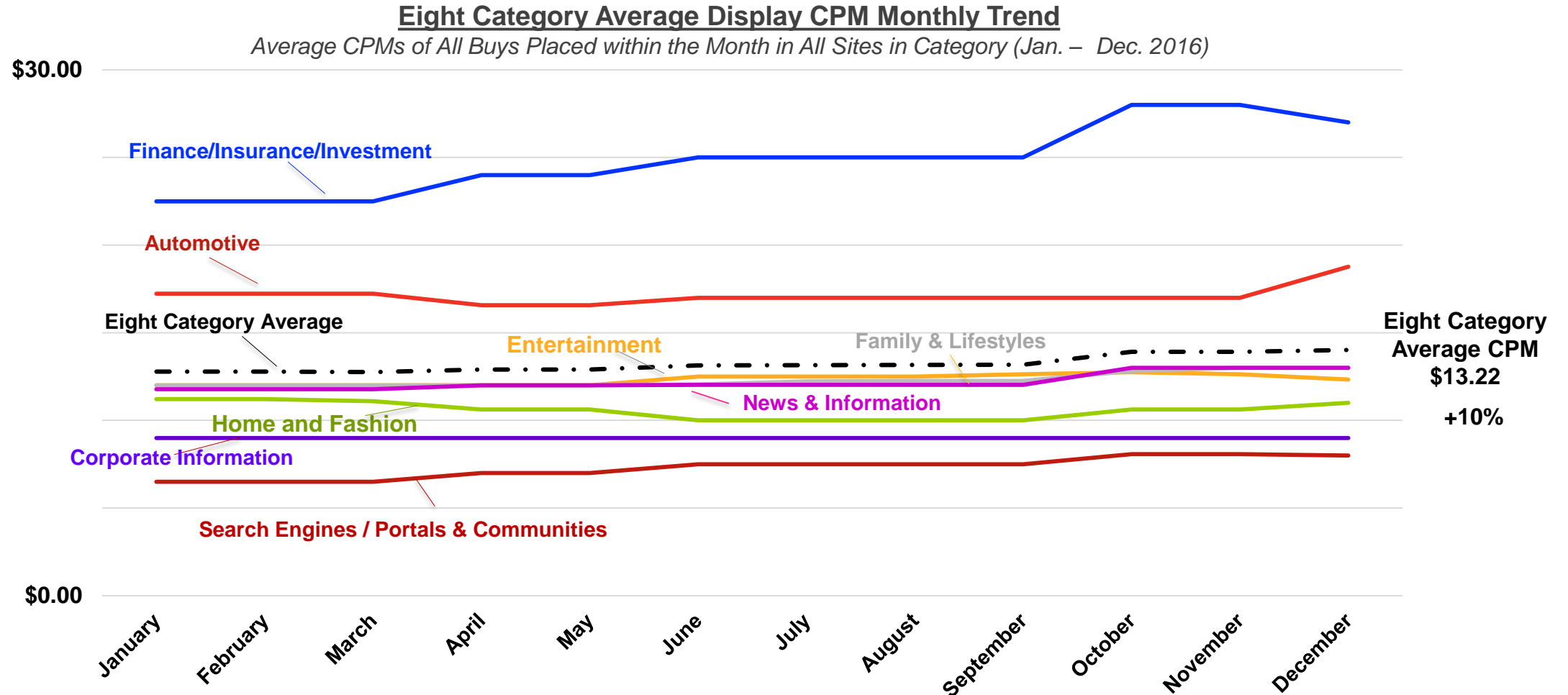
Average CPM of All Buys Placed Within the Month (Jan. – Dec. 2016)

WebCosts Database Display and In-Stream Video Average CPM Comparison

All sites / All Categories January – December 2016



Average CPM Monthly Trend Across Eight Display Categories



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

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

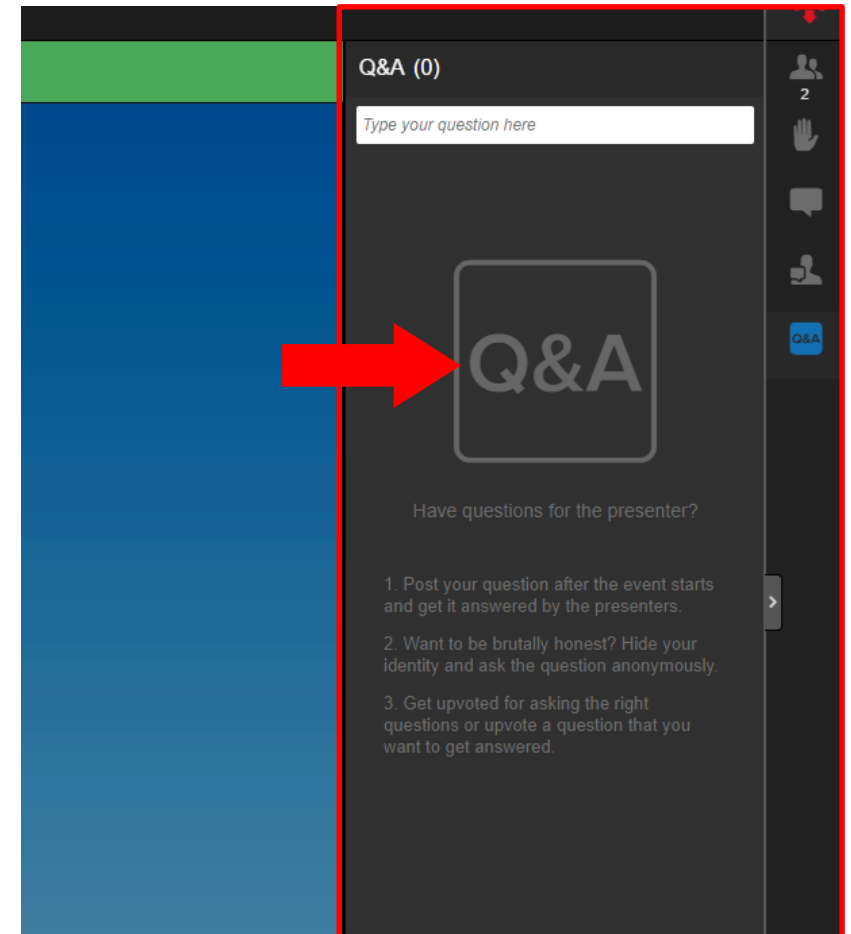
- **Consumer usage shift to mobile reflected in ad-dollar shift to mobile**
 - Over half (51%) of all internet ad dollars in full year 2016 were from mobile advertising
 - Mobile accounts for an increasingly larger part of ad revenue and growth in all formats
- **Ongoing double-digit growth across formats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

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