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IAB internet advertising revenue report

2016 first six-months results



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Agenda

Survey methodology

2016 first six-months results

First six-months and quarterly trends

Advertising formats

Social media

Pricing models

Industry category spending

About PwC

Survey Methodology

Survey Scope

The IAB Internet Advertising Revenue Report is part of an ongoing IAB mission to provide an accurate barometer of Internet advertising growth.

To achieve differentiation from existing estimates and accomplish industry-wide acceptance, key aspects of the survey include:

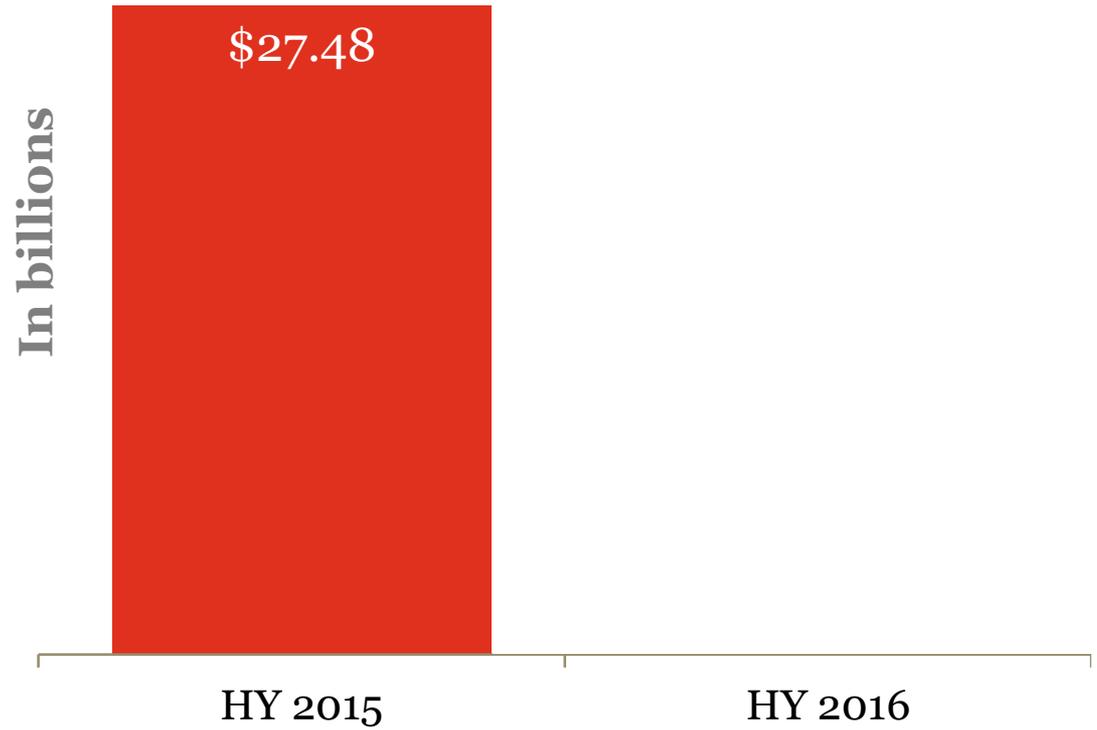
- Obtaining historical data directly from companies generating internet (desktop and mobile) advertising revenues;
- Making the survey as inclusive as possible, encompassing all forms of internet advertising, including websites, consumer online services, ad networks and exchanges, mobile devices; and
- Ensuring and maintaining a confidential process, only releasing aggregate data.

Methodology

Throughout the reporting process, PwC:

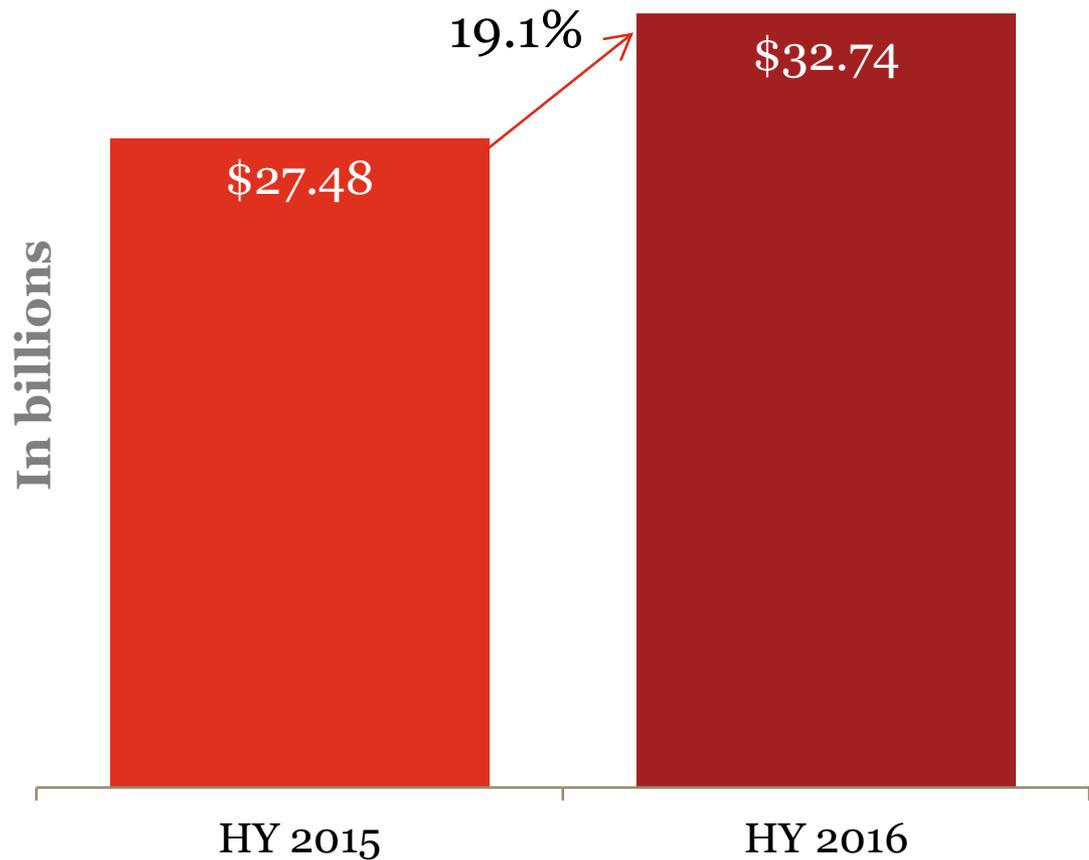
- Compiles a database of industry participants selling internet advertising revenues.
- Conducts a quantitative mailing survey with leading industry players, including web publishers, ad networks, commercial online service providers, mobile providers, and other online media companies.
- Requests and compiles several specific data items, including monthly gross commissionable advertising revenue by industry category and transaction.
- Acquires supplemental data through the use of publicly disclosed information.
- Identifies non-participating companies and applies a conservative revenue estimate based on available public sources.
- Analyzes the findings, identifies and reports key trends.

Half year revenues totaled ...

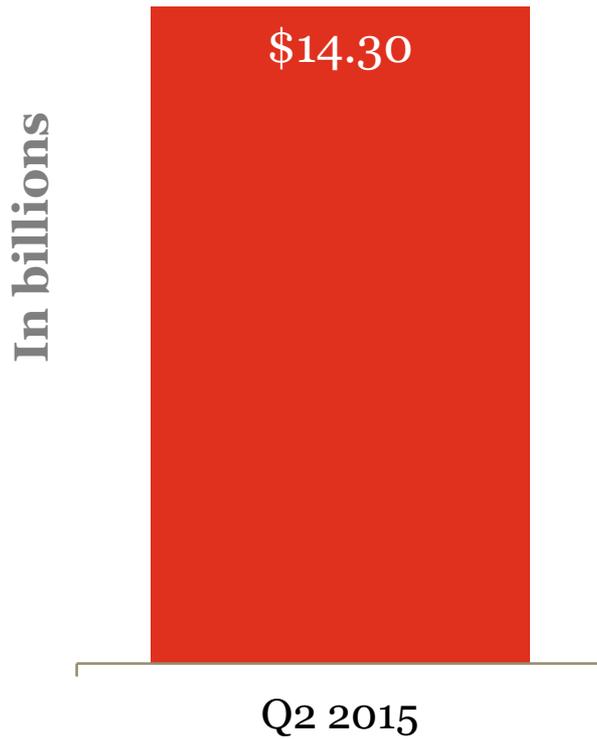


Half year revenues totaled \$32.7 billion in 2016

Online advertising revenue increased \$5.3 billion in HY 2016.

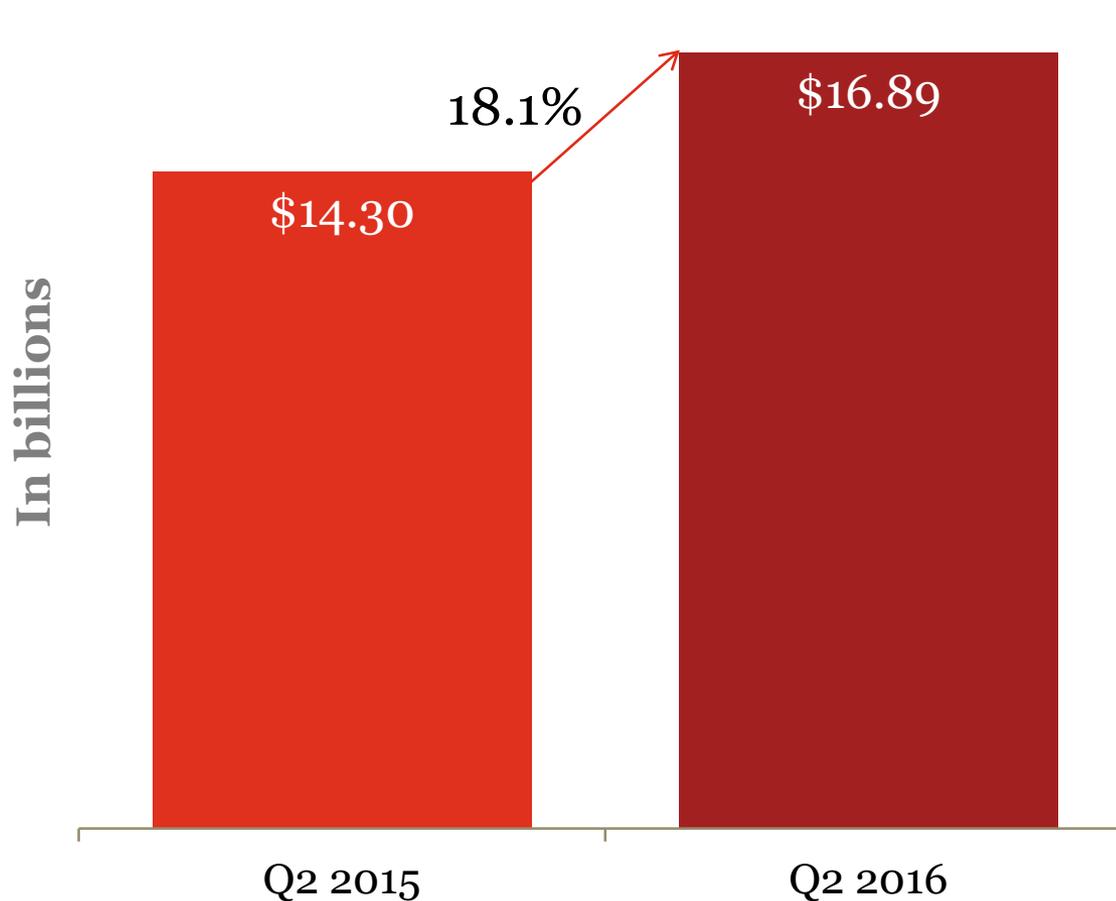


2016 second quarter revenues totaled



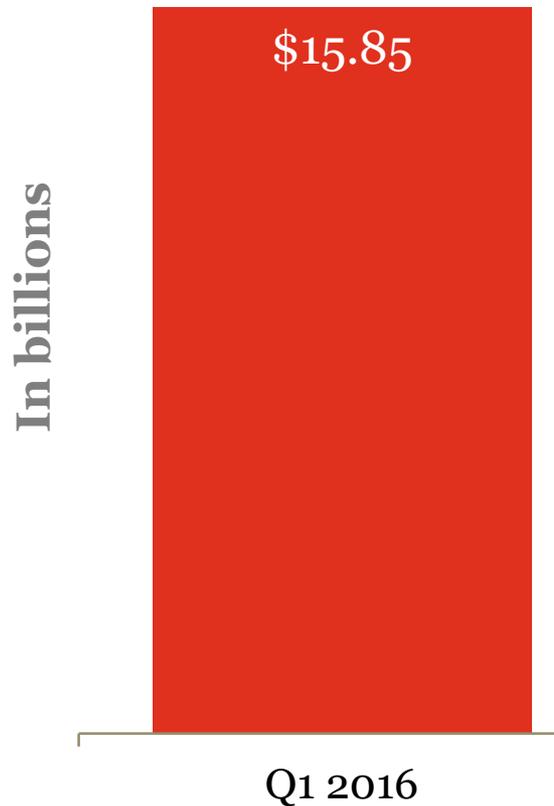
Source: IAB Internet Advertising Revenue Report, HY 2016

2016 second quarter revenues totaled \$16.89 billion



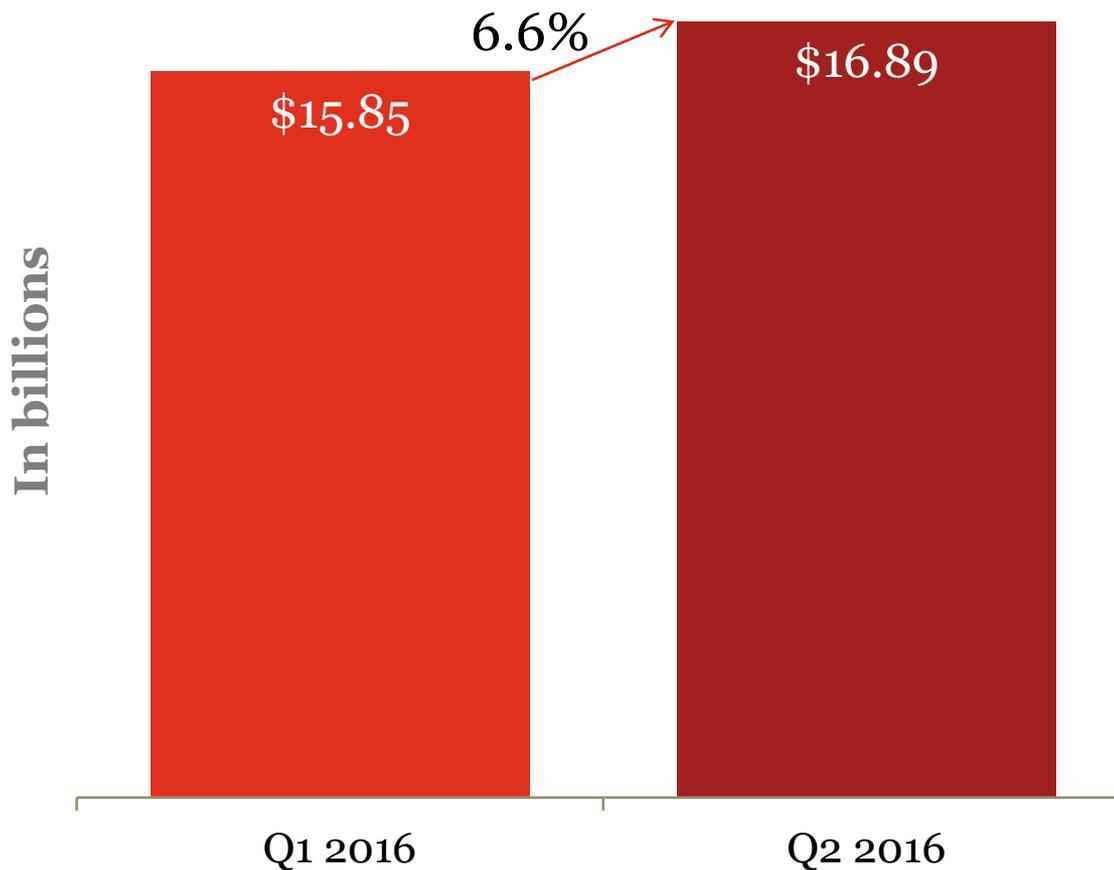
Revenue in Q2 2016 was \$2.6 billion higher than in Q2 2015.

Strong Growth between Q1 2016 and Q2 2016



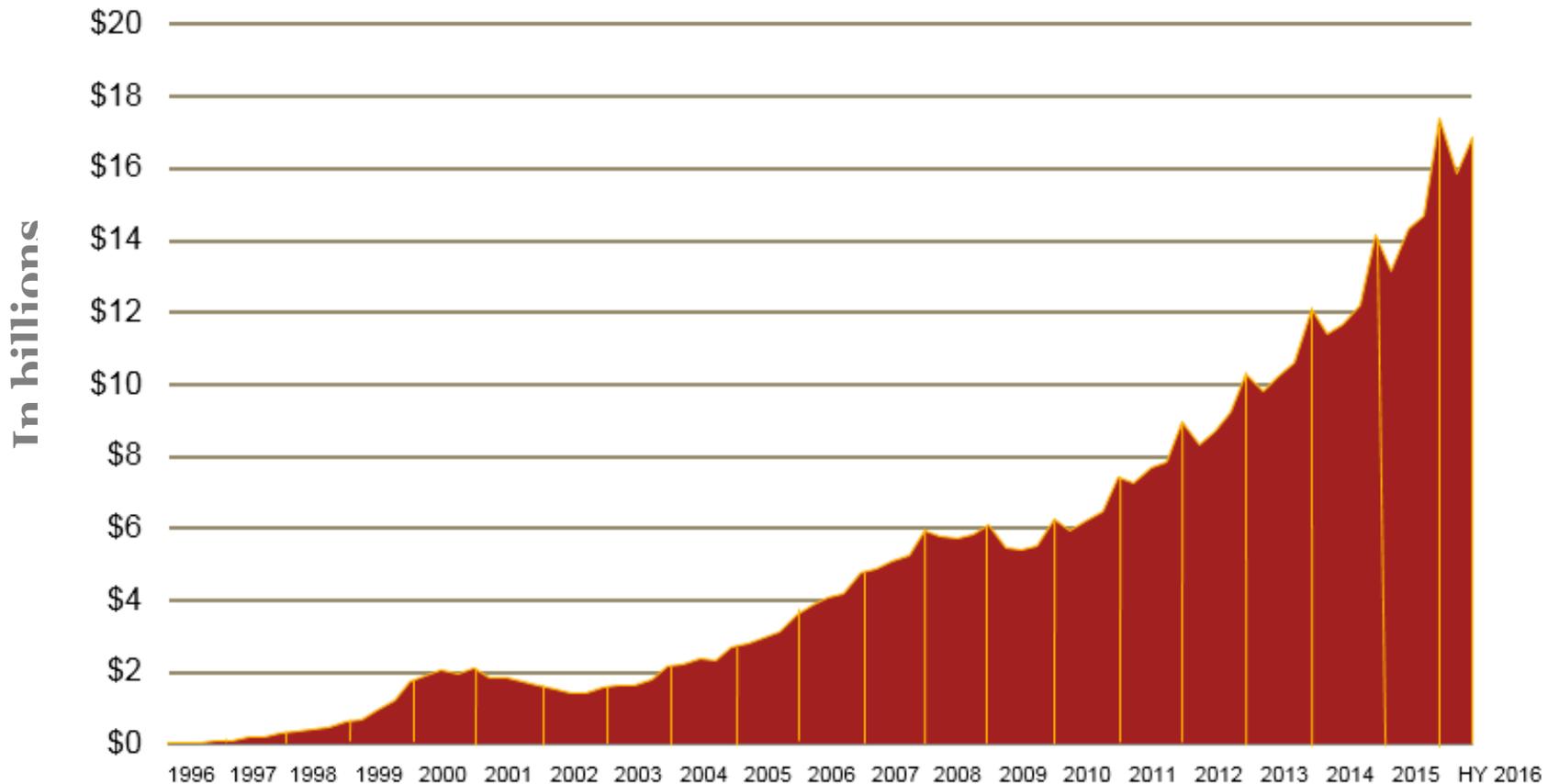
Source: IAB Internet Advertising Revenue Report, HY 2016

Strong Growth between Q1 2016 and Q2 2016



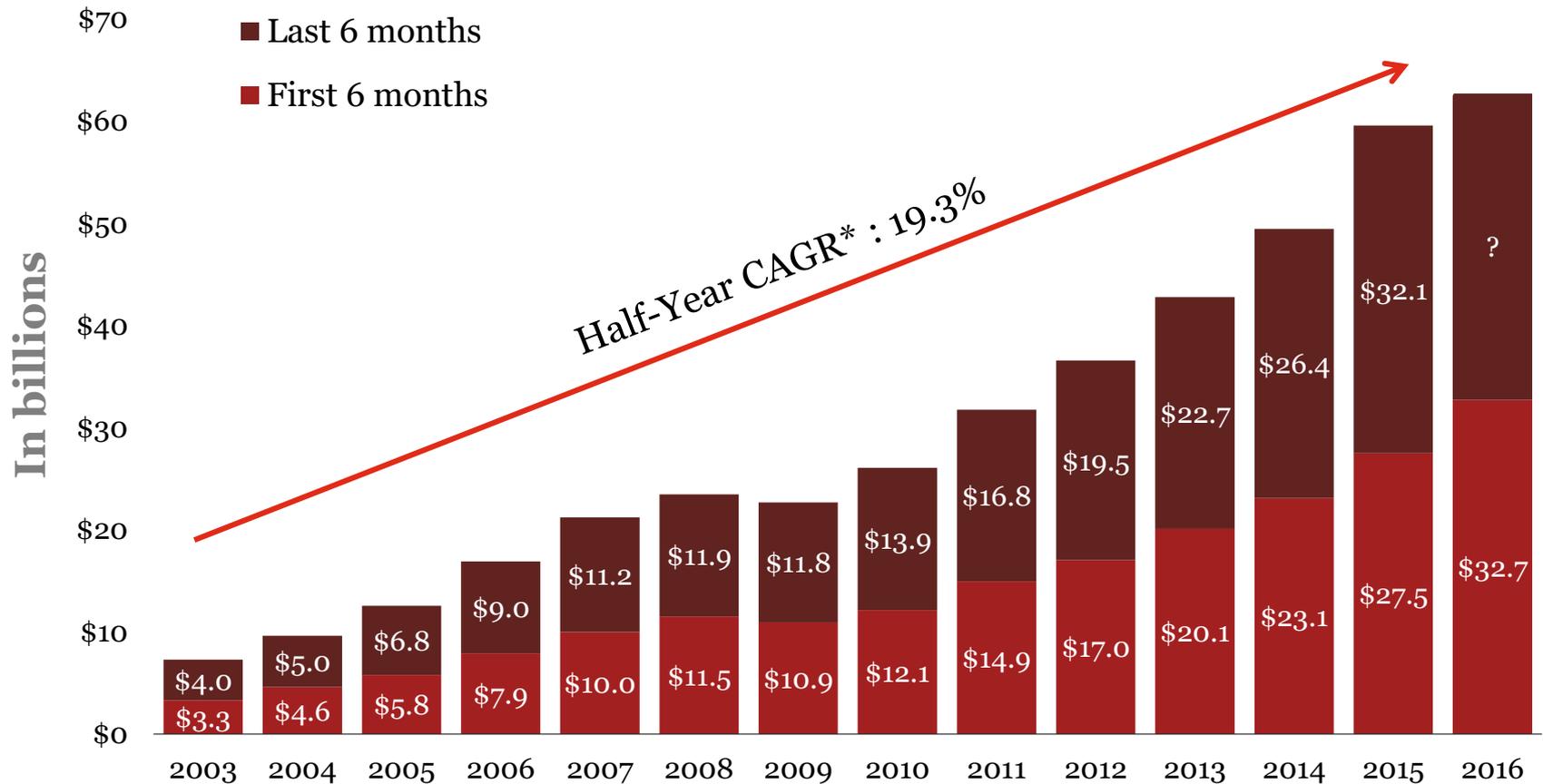
Revenue in Q2 2016 was \$1.0 billion higher than in Q1 2016.

Since 2010, a strong seasonal trend has emerged for internet advertising revenues
Quarterly growth comparison, 1996–HY 2016



First six-months 2016 shows record revenues

Historical revenue mix, first half vs. second half



* CAGR: Compound Annual Growth Rate
PwC

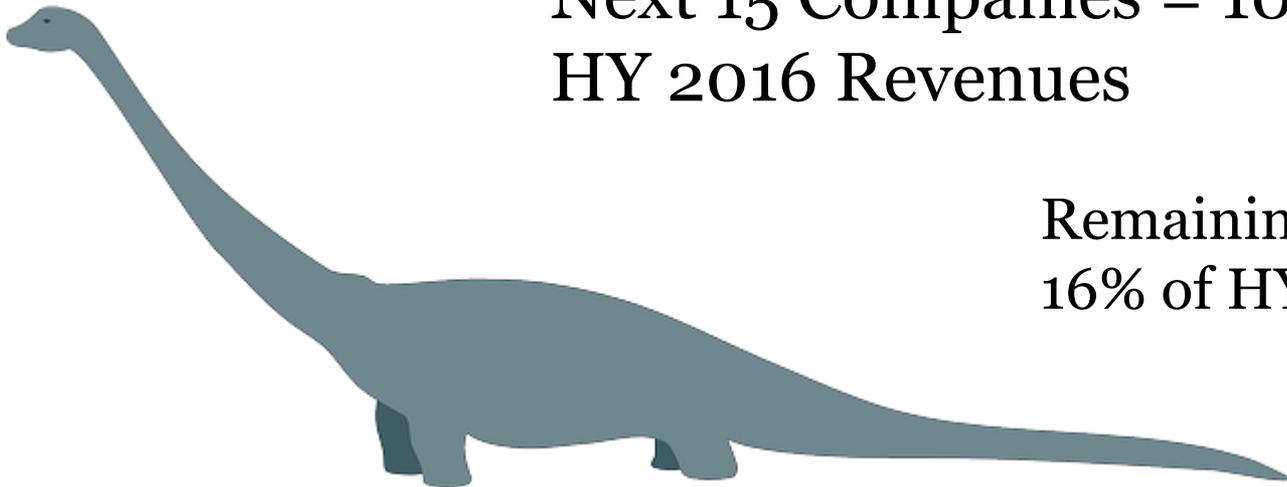
November 2016

Industry concentration – the long tail

Top 10 Companies = 74% of
HY 2016 Revenues

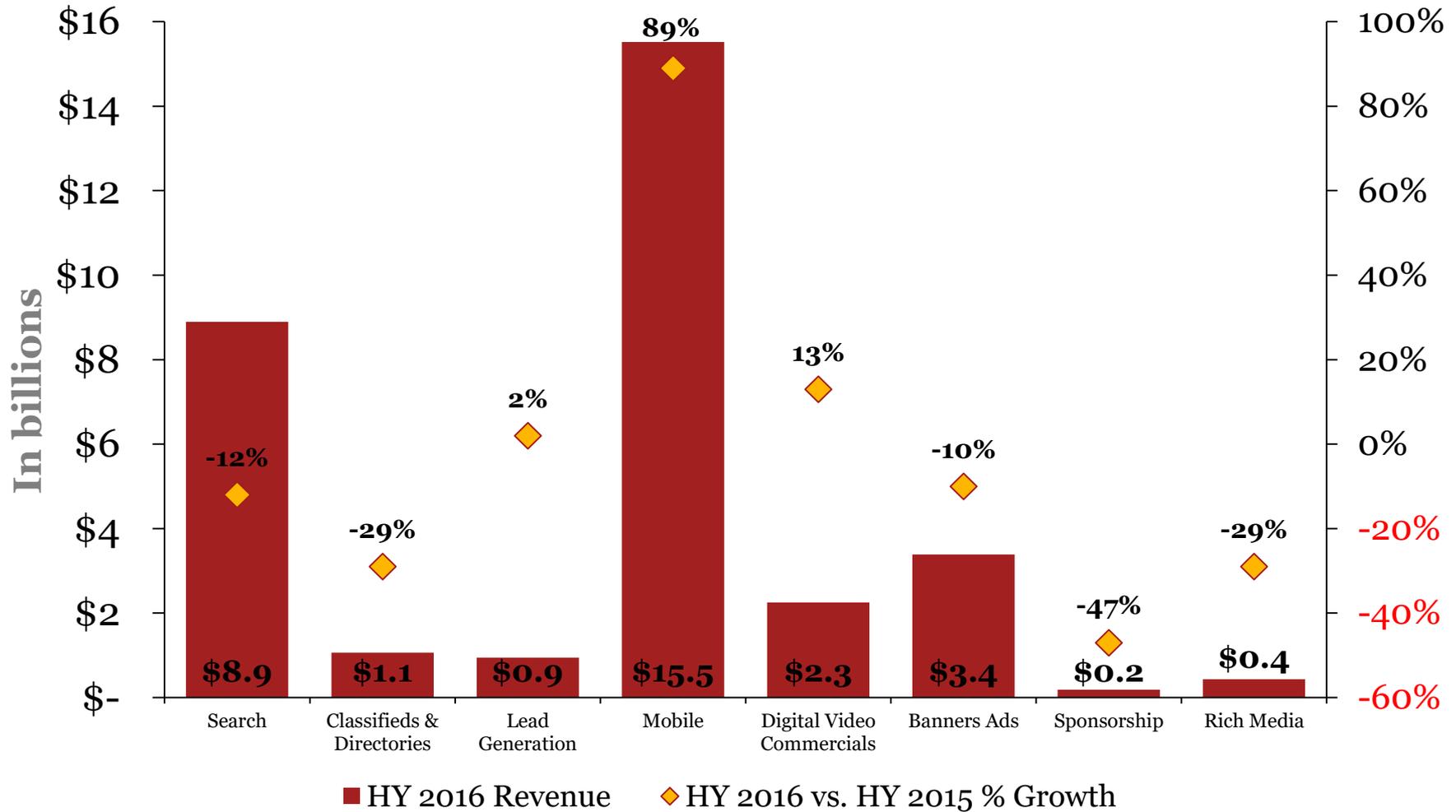
Next 15 Companies = 10% of
HY 2016 Revenues

Remaining Companies =
16% of HY Revenue



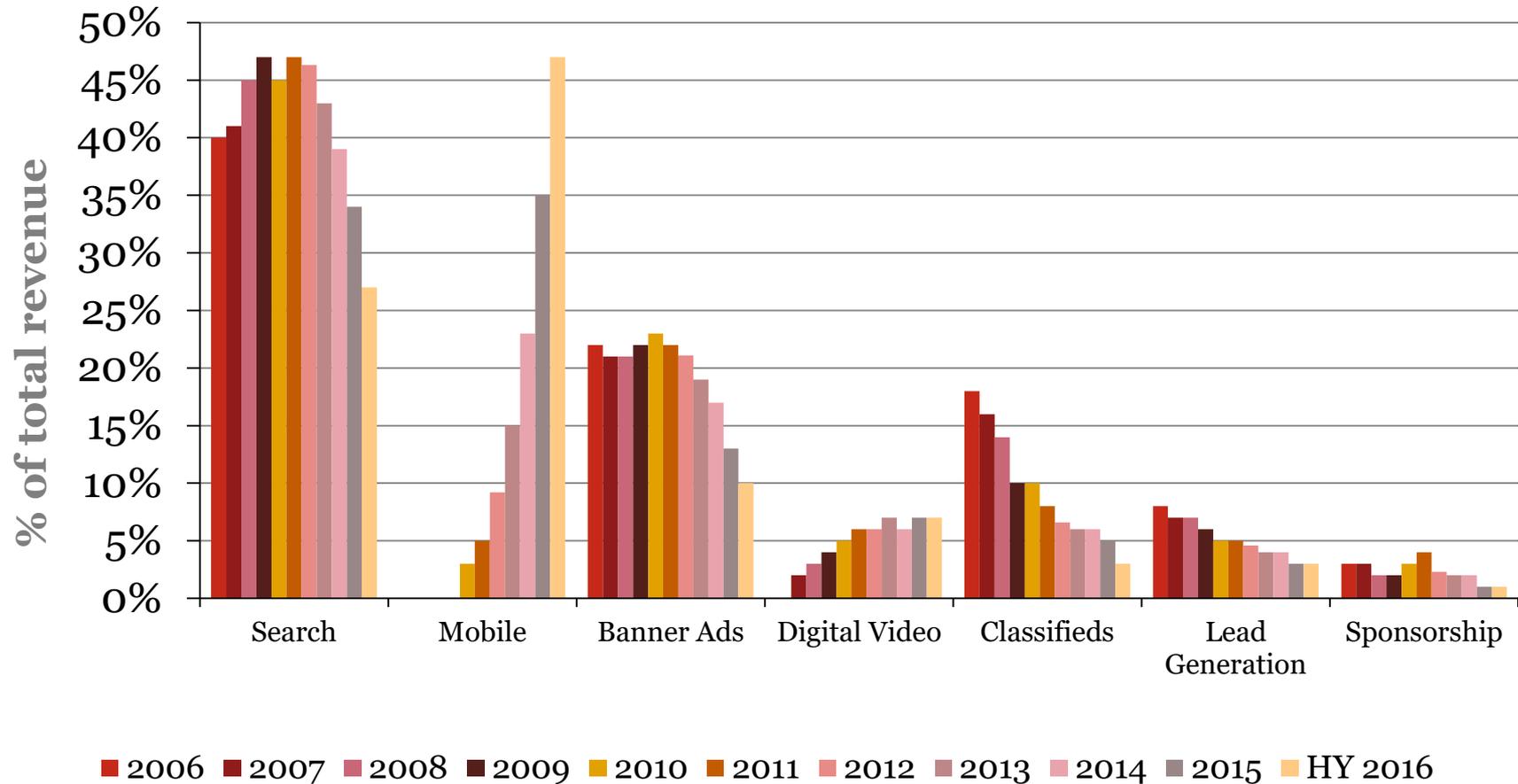
Mobile shows the strongest growth

Advertising formats – HY 2016 results and growth rates



Historical trends in internet advertising formats

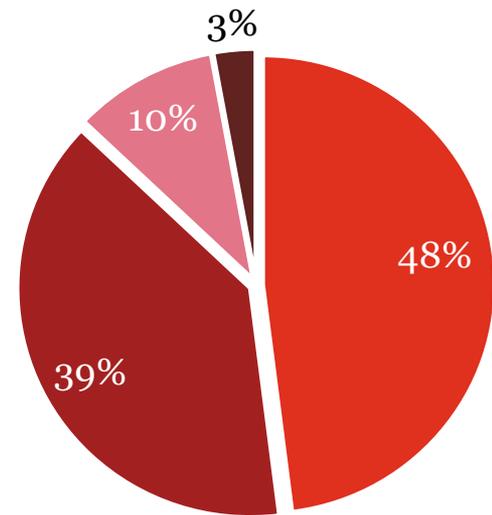
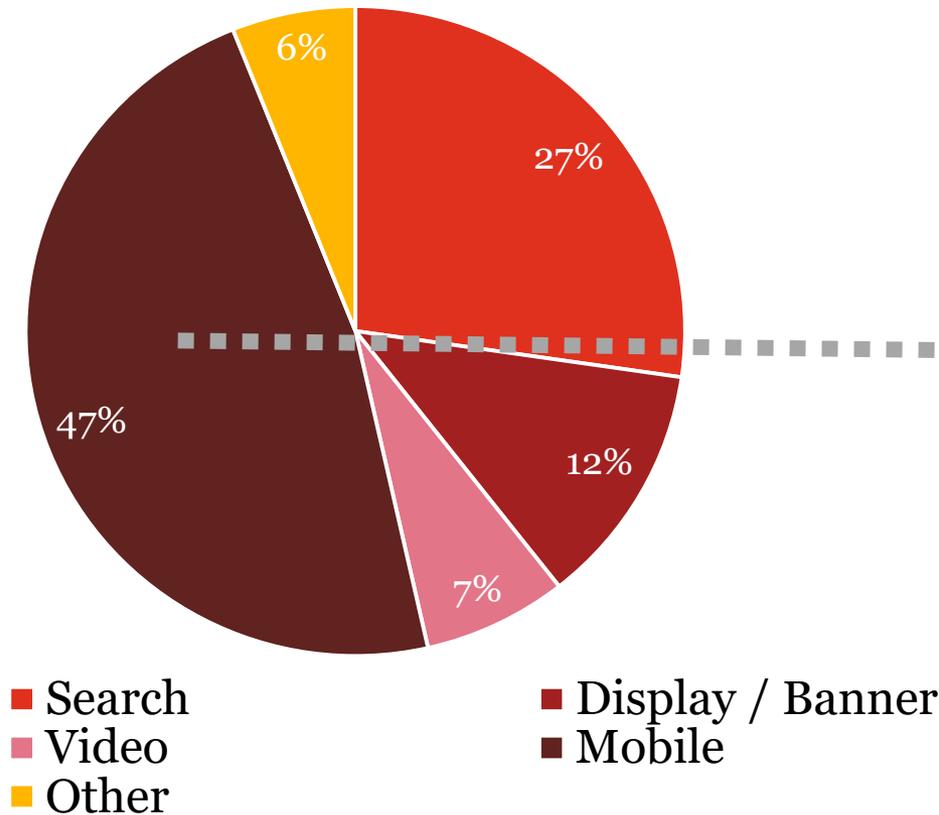
Revenue share by major ad formats, 2006–HY 2016



Source: IAB Internet Advertising Revenue Report, HY 2016

Mobile represents a significant percentage of advertising formats

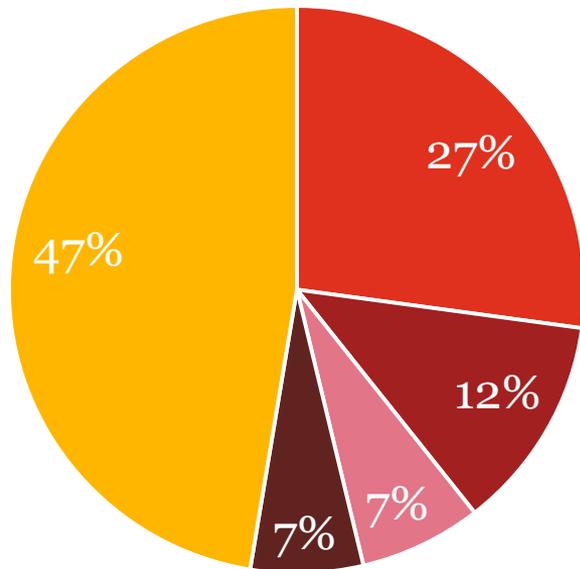
For the half year in 2016, Mobile revenue totaled \$15.5 billion



Source: IAB Internet Advertising Revenue Report, HY 2016

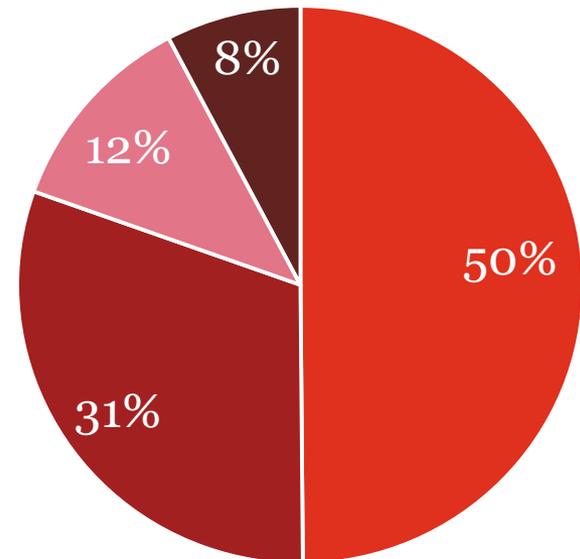
Distributing Mobile across formats demonstrates its importance to Search and Display

Formats – HY 2016
(Mobile separated)



■ Search ■ Display ■ Video ■ Other ■ Mobile

Formats – HY 2016
(Mobile included)

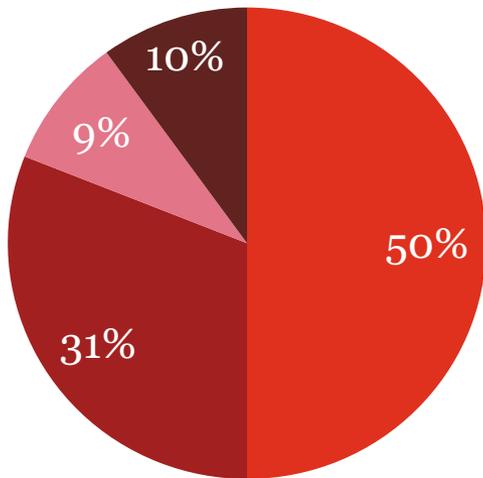


■ Search ■ Display ■ Video ■ Other

Ad Formats – Mobile allocated comparison to PY

Video across formats demonstrate strongest growth

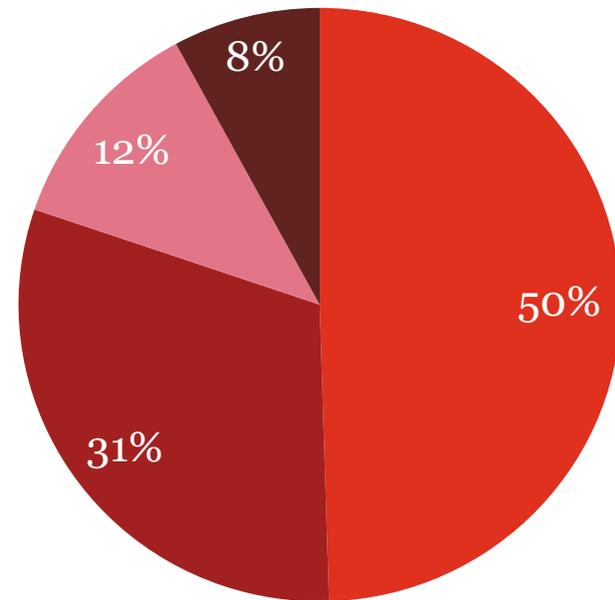
HY 2015



■ Search ■ Display Banner
■ Display Video ■ Hybrid Other

Total – \$27.5 billion

HY 2016

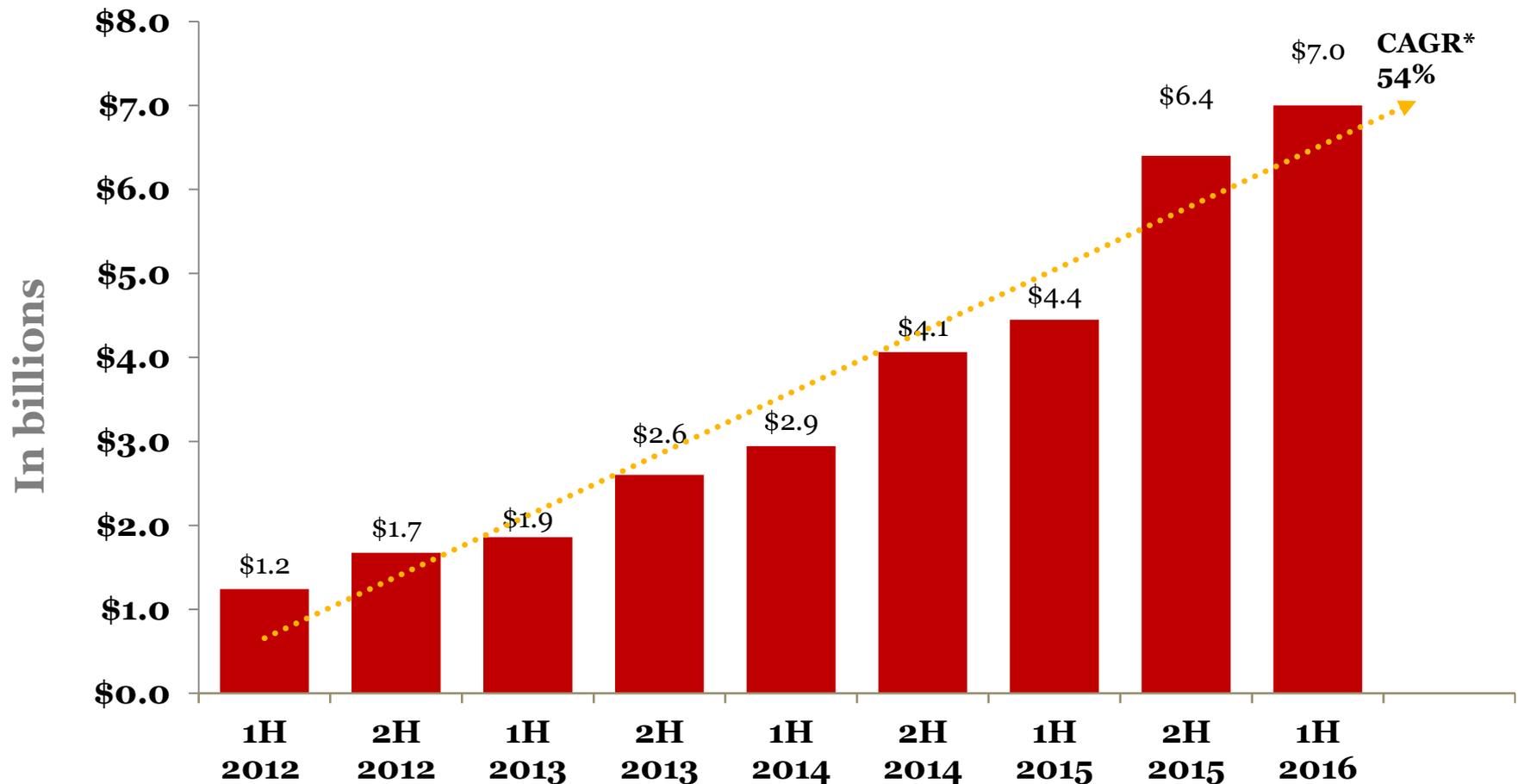


■ Search ■ Display Banner
■ Display Video ■ Hybrid Other

Total – \$32.7 billion

Social media demonstrates continued growth

Social media ad revenues, 2012 – HY 2016



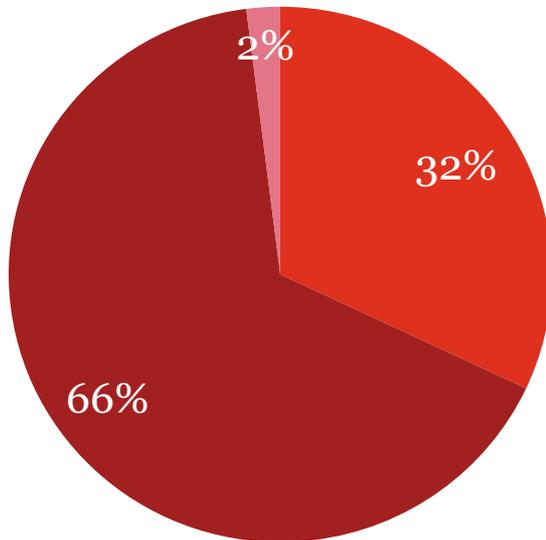
* CAGR: Compound Annual Growth Rate

Source: IAB Internet Advertising Revenue Report, HY 2016

Pricing models

Internet ad revenues by pricing model, HY 2015 vs. HY 2016

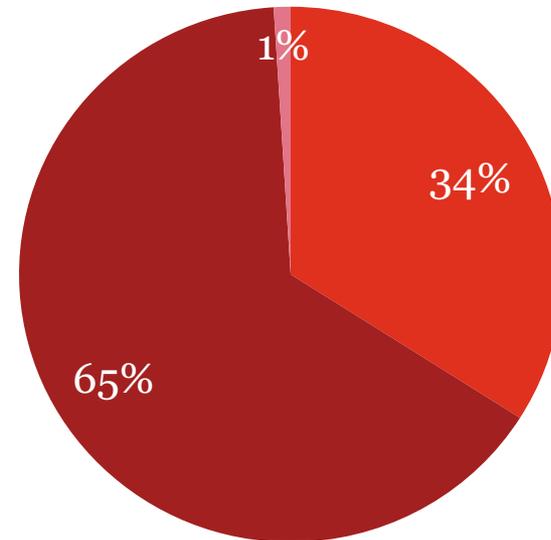
HY 2015



■ Impression-based ■ Performance-based
■ Hybrid

Total – \$27.5 billion

HY 2016

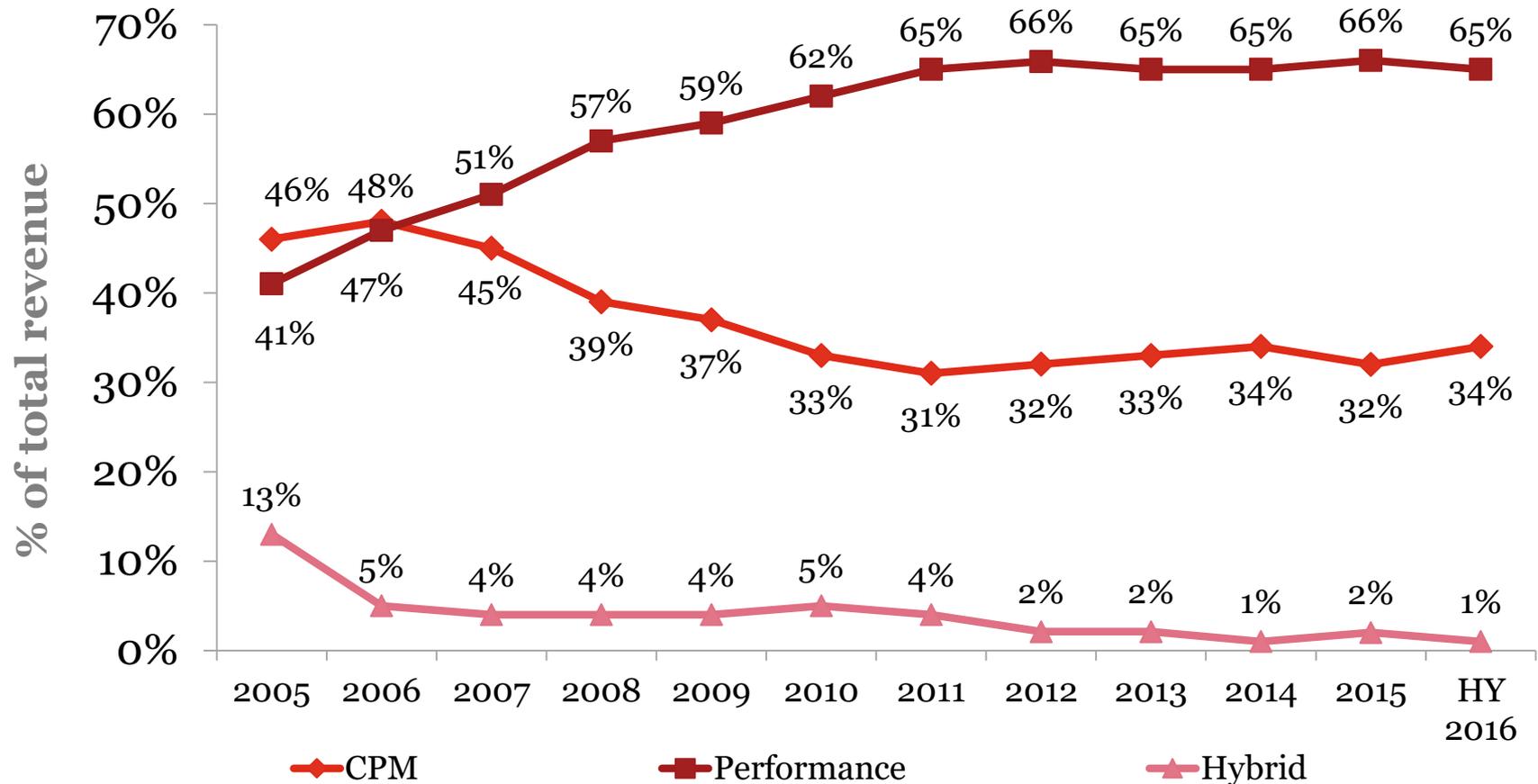


■ Impression-based ■ Performance-based
■ Hybrid

Total – \$32.7 billion

Historical pricing model trends

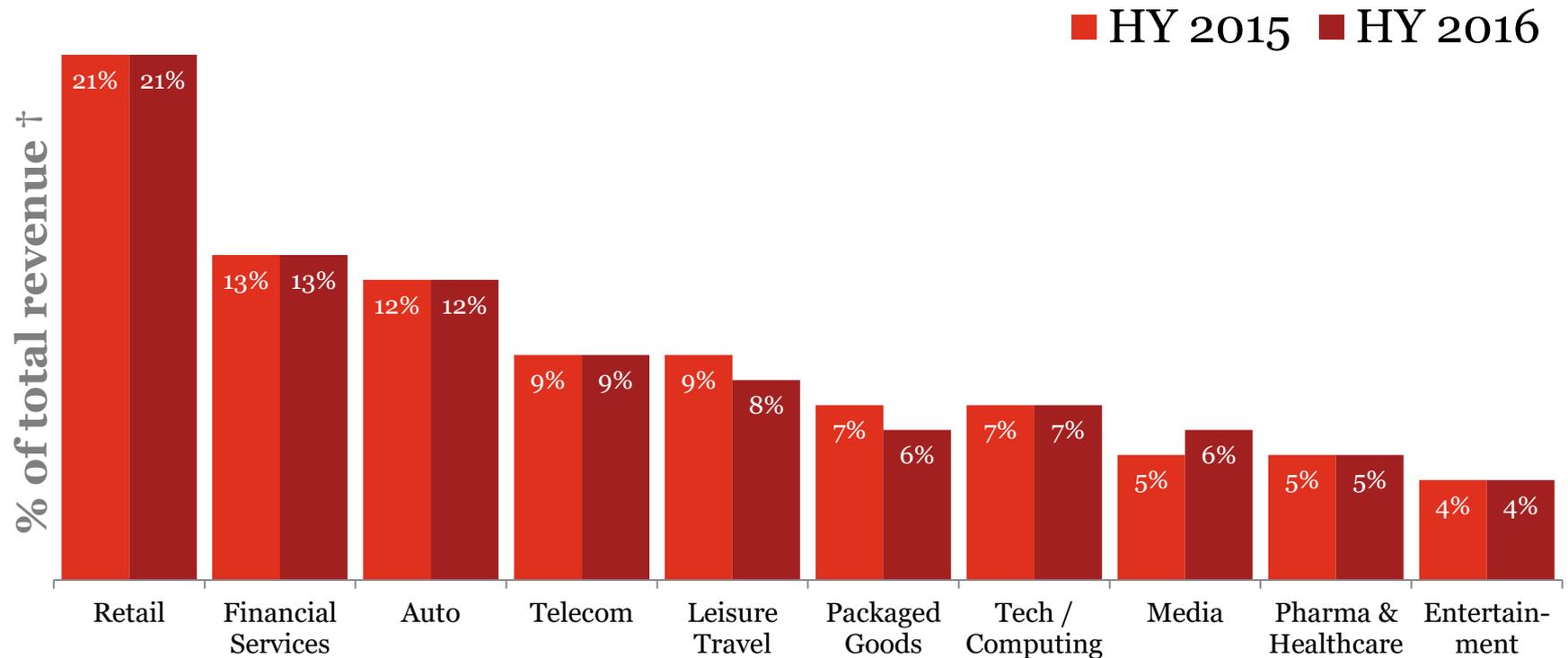
Internet ad revenues by pricing model, 2005–HY 2016



Note: Pricing model definitions may have changed over the time period depicted both within the survey process and as interpreted by respondents

Internet ad revenues by major industry category

\$27.5 B in HY 2015 vs. \$32.7 in HY 2016



† Amounts do not total to 100% as minor categories are not displayed.

PwC's Technology and Entertainment, Media, and Communications practices

As business, accounting, and tax advisors to many of the world's leading Entertainment, Media, and Communications (EMC) and Technology (Tech) companies, PwC (www.pwc.com) has an insider's view of trends and developments driving the industry. With approximately 1,200 practitioners serving EMC and Tech clients in the United States, PwC is deeply committed to providing clients with industry experience and resources. In recent years, our pioneering work in EMC and Tech has included developing strategies to leverage digital technology, identifying new sources of financing, and marketplace positioning in industries characterized by consolidation and transformation. Our experience reaches across all geographies and segments of the EMC and Tech sectors, including broadband, wireless, the internet, music, film, television, publishing, advertising, gaming, theme parks, computers and networking, and software. With thousands of practitioners around the world, we're always close at hand to provide deep industry knowledge and resources.

Our services include:

- Business assurance services
- Web audience measurement and advertising delivery auditing and advisory
- IAB Measurement Certification Compliance auditing
- Privacy policy structuring, attestation, and compliance advisory
- Mergers & acquisitions assistance
- Tax planning and compliance
- Capital sourcing and IPO assistance
- Marketing & Media operations enablement

Technology and Entertainment, Media, and Communications practices

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