

Full Year 2016 and Q4 2016

IAB/PwC Internet Advertising Revenue Report **Detailed Analysis**

April 2017

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www.pwc.com
www.iab.com

IAB Internet Advertising Revenue Report

2016 full year results



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Agenda

Survey methodology
2016 full year results
Full year and quarterly trends
Advertising formats
Digital video
Social media
Digital Audio
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:

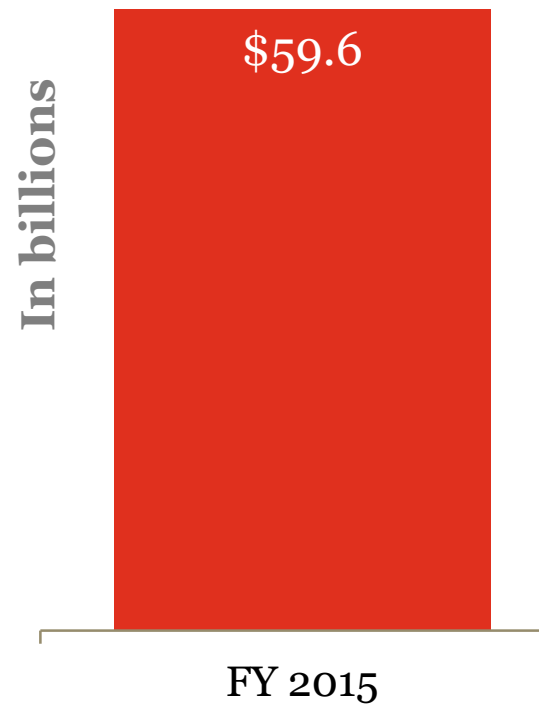
- Obtaining historical data directly from companies generating internet (desktop and mobile) advertising revenues;
- Making the survey as inclusive as possible, encompassing all forms of internet advertising, including websites, consumer online services, ad networks and exchanges, mobile devices; and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

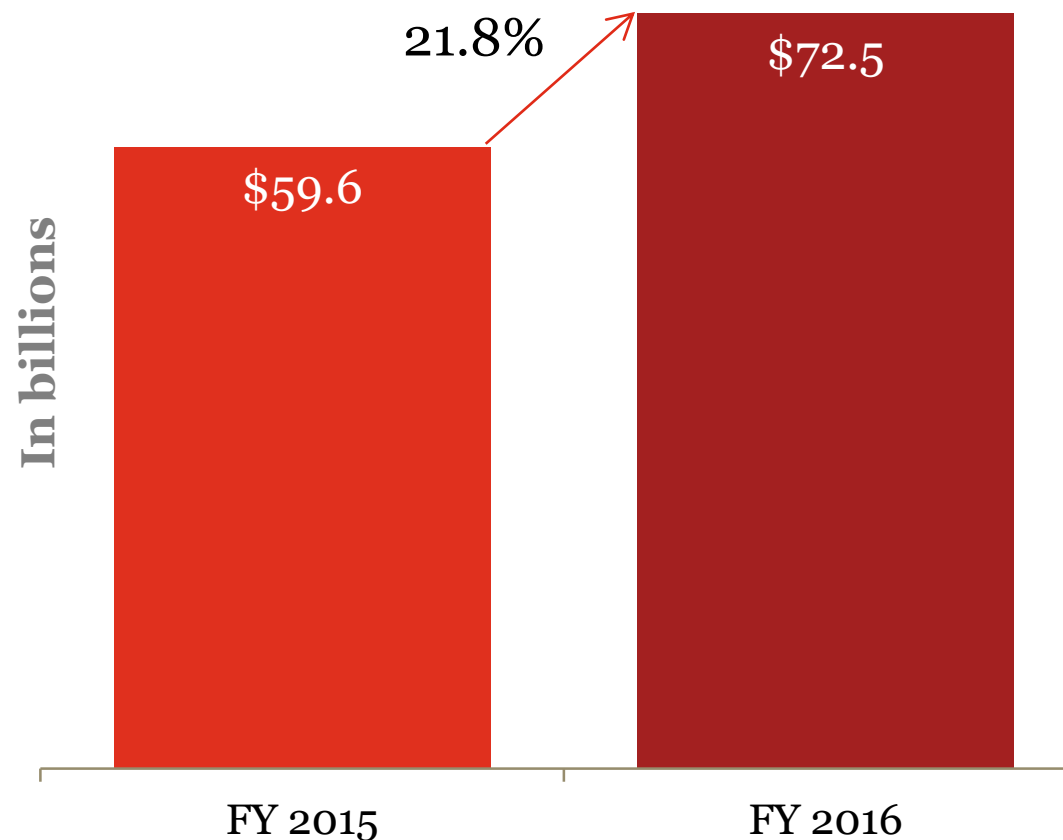
Annual revenues totaled...



Source: IAB Internet Advertising Revenue Report, FY 2016

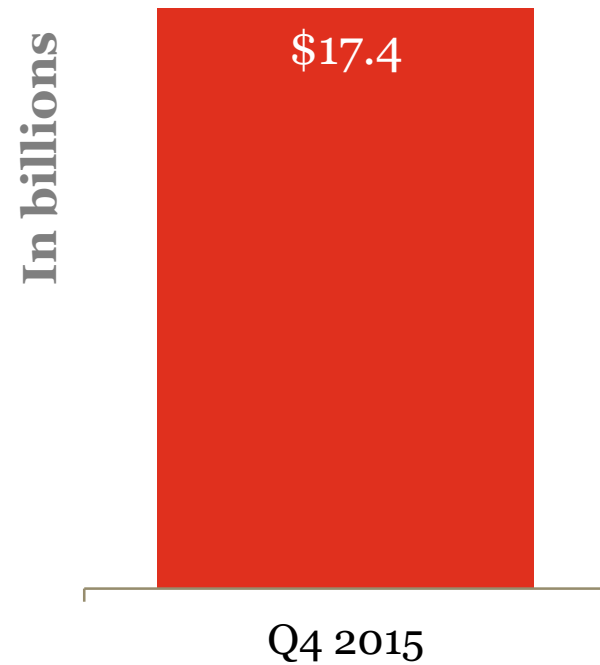
Annual revenues totaled \$72.5 billion in 2016

Online advertising revenue increased \$12.9 billion in 2016



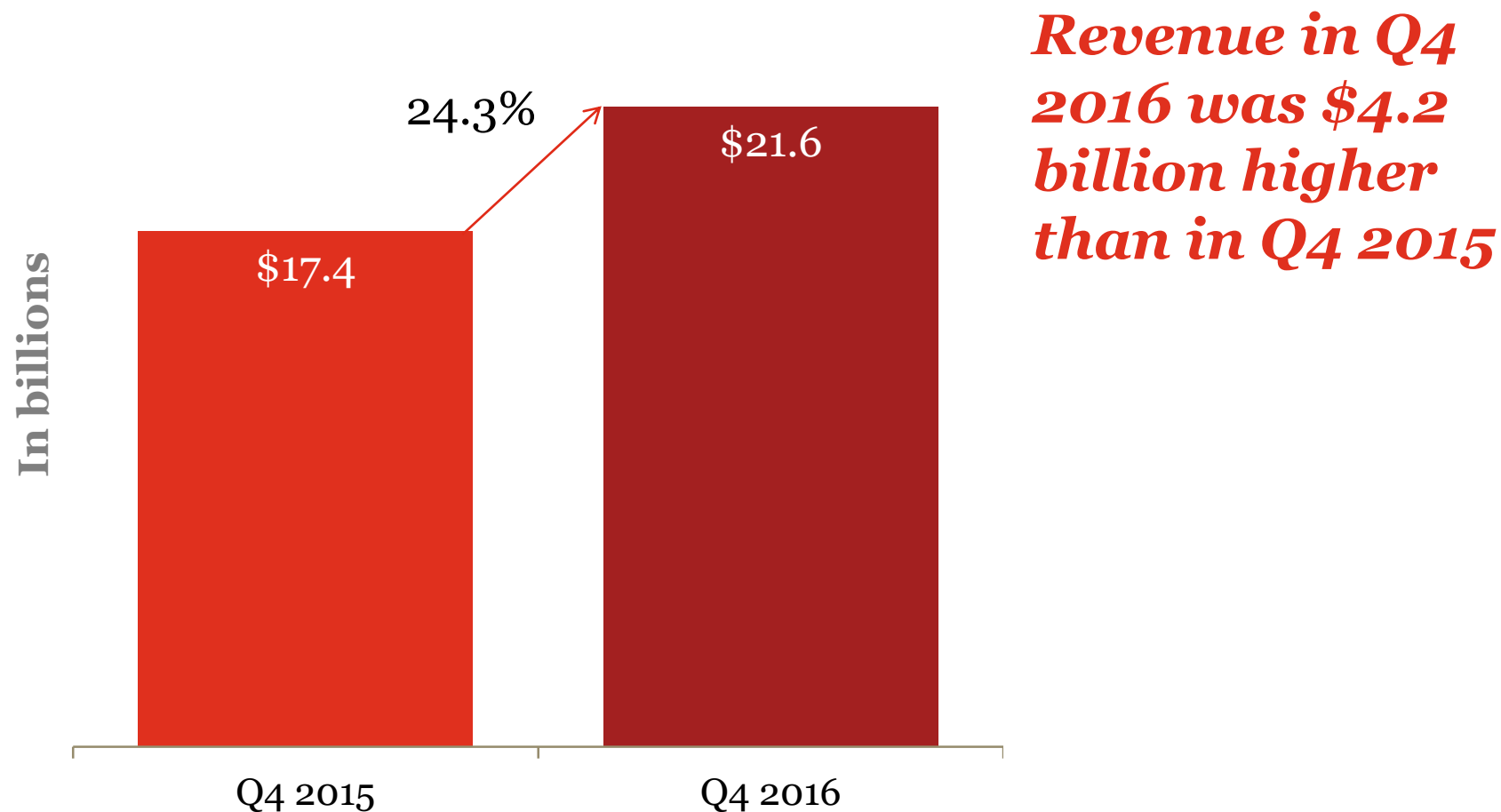
Source: IAB Internet Advertising Revenue Report, FY 2016

Fourth quarter revenues totaled...



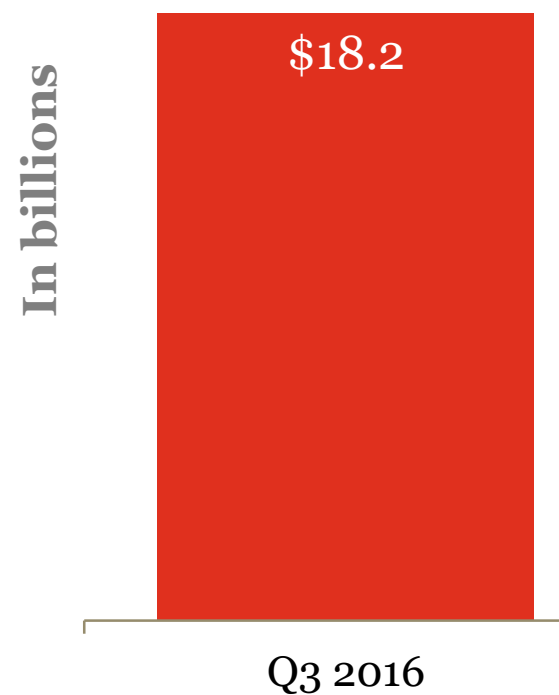
Source: IAB Internet Advertising Revenue Report, FY 2016

Fourth quarter revenues totaled \$21.6 billion in 2016



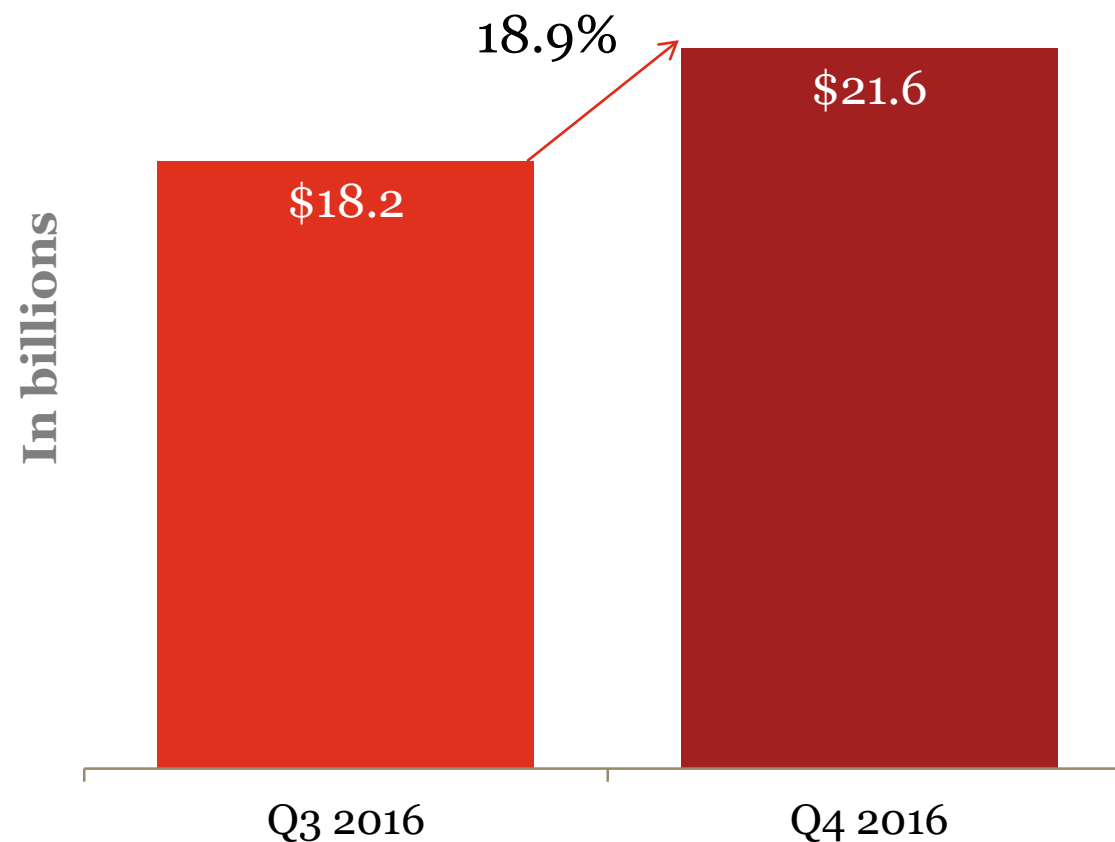
Source: IAB Internet Advertising Revenue Report, FY 2016

Strong growth between Q3 2016 and Q4 2016



Source: IAB Internet Advertising Revenue Report, FY 2016

Strong growth between Q3 2016 and Q4 2016

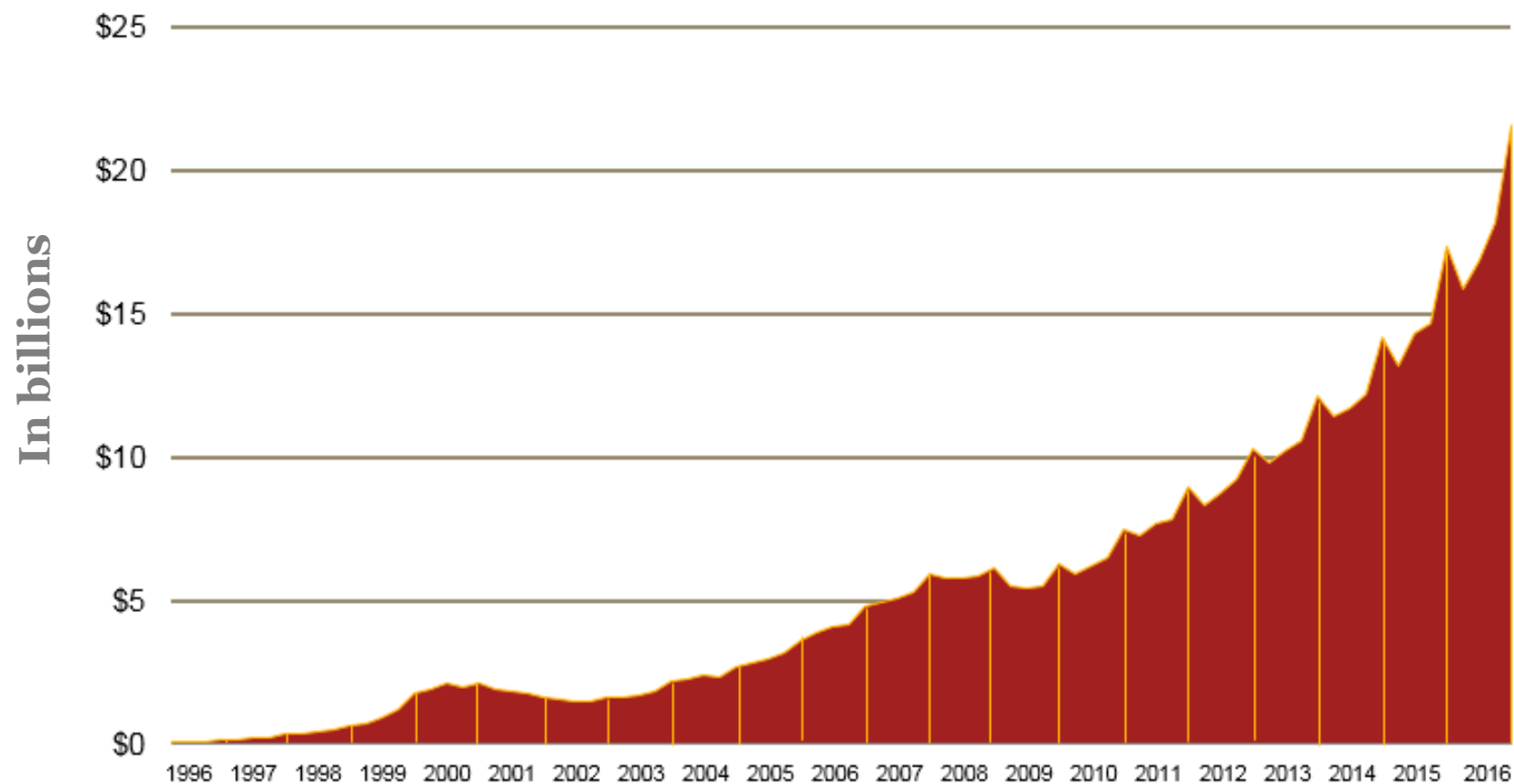


Revenue in Q4 2016 was \$3.4 billion higher than in Q3 2016

Source: IAB Internet Advertising Revenue Report, FY 2016

Quarterly growth continues upward trend

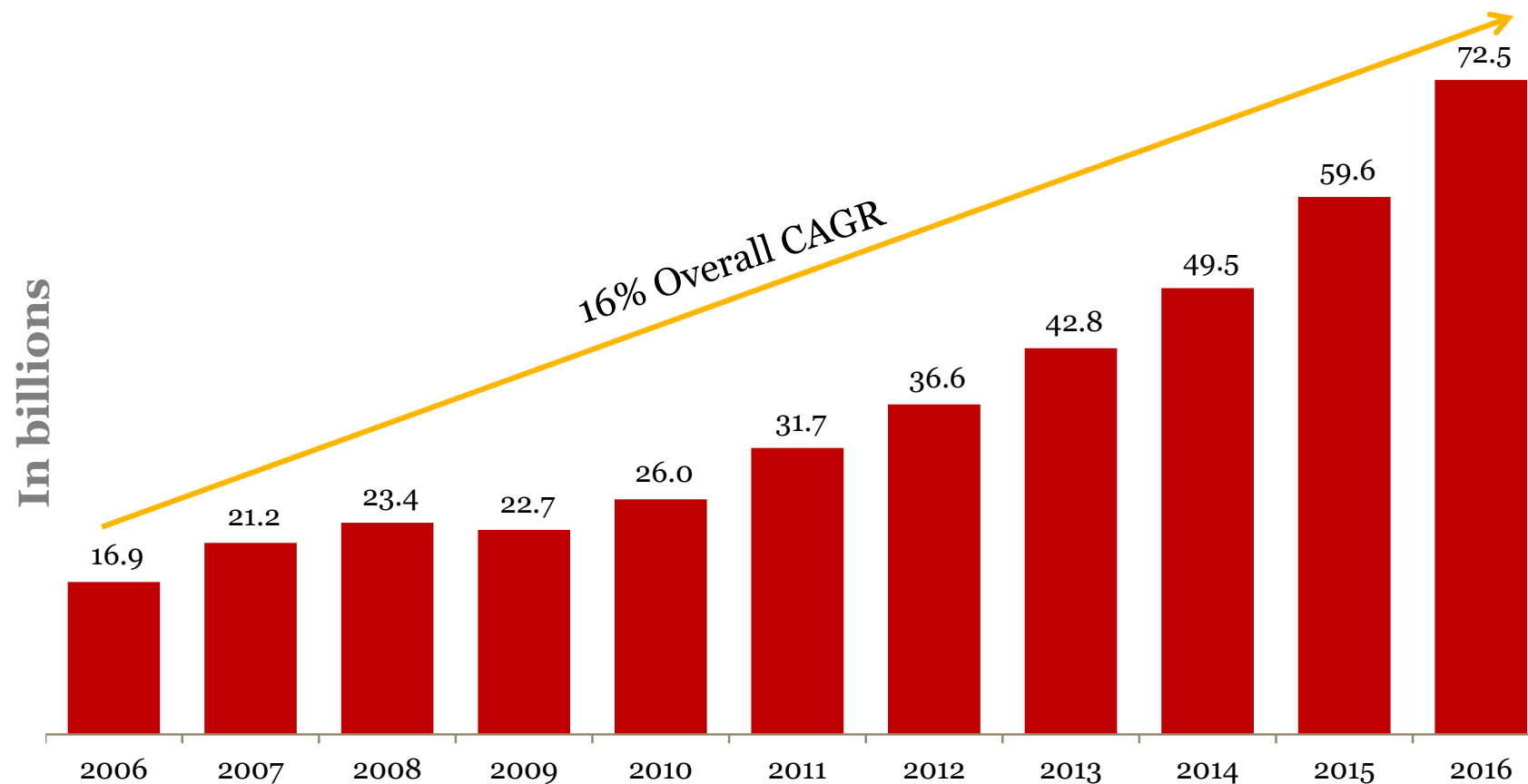
Quarterly growth comparison, 1996–2016



Source: IAB Internet Advertising Revenue Report, FY 2016

2016 showed record revenues

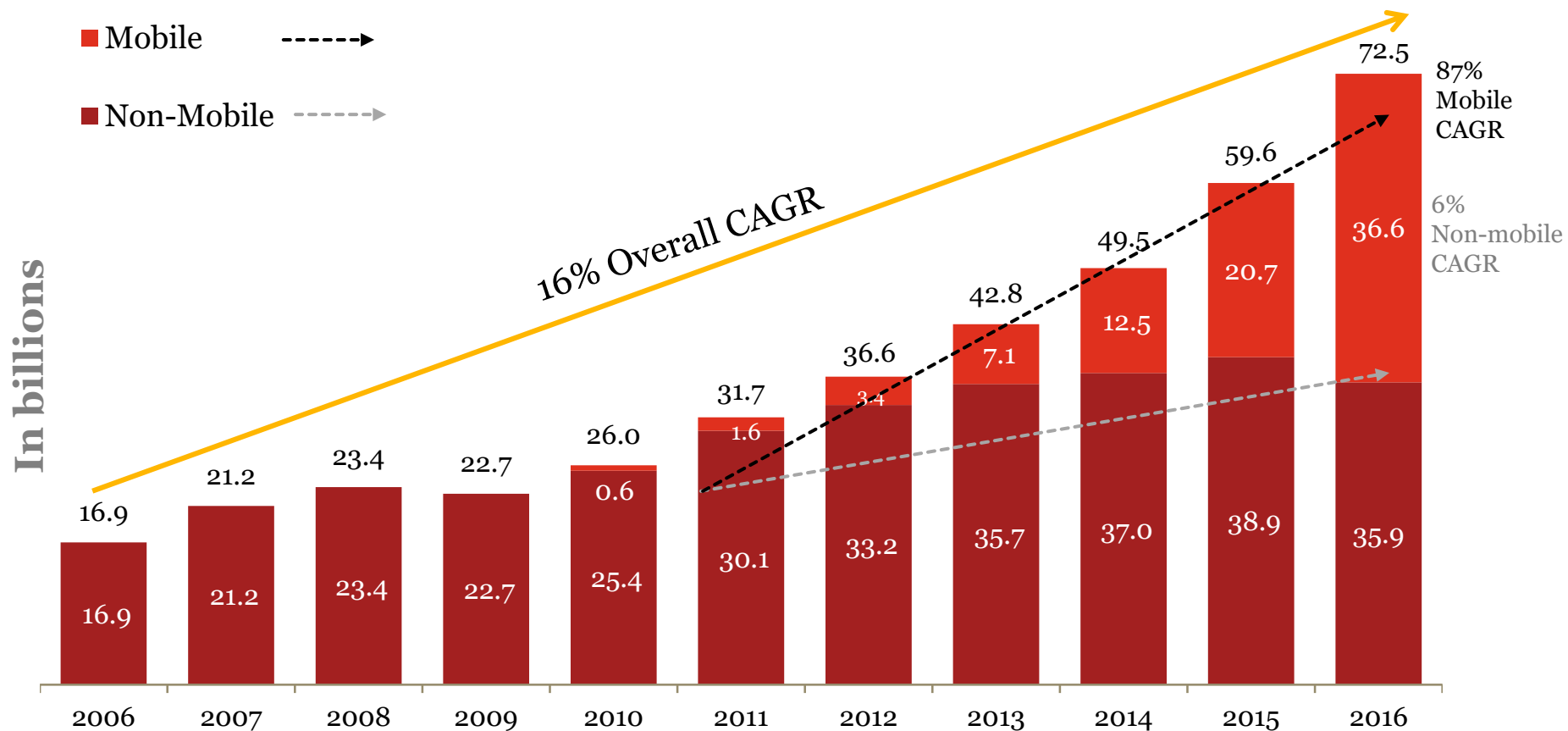
Annual revenue 2006-2016



* CAGR: Compound Annual Growth Rate
Source: IAB Internet Advertising Revenue Report, FY 2016

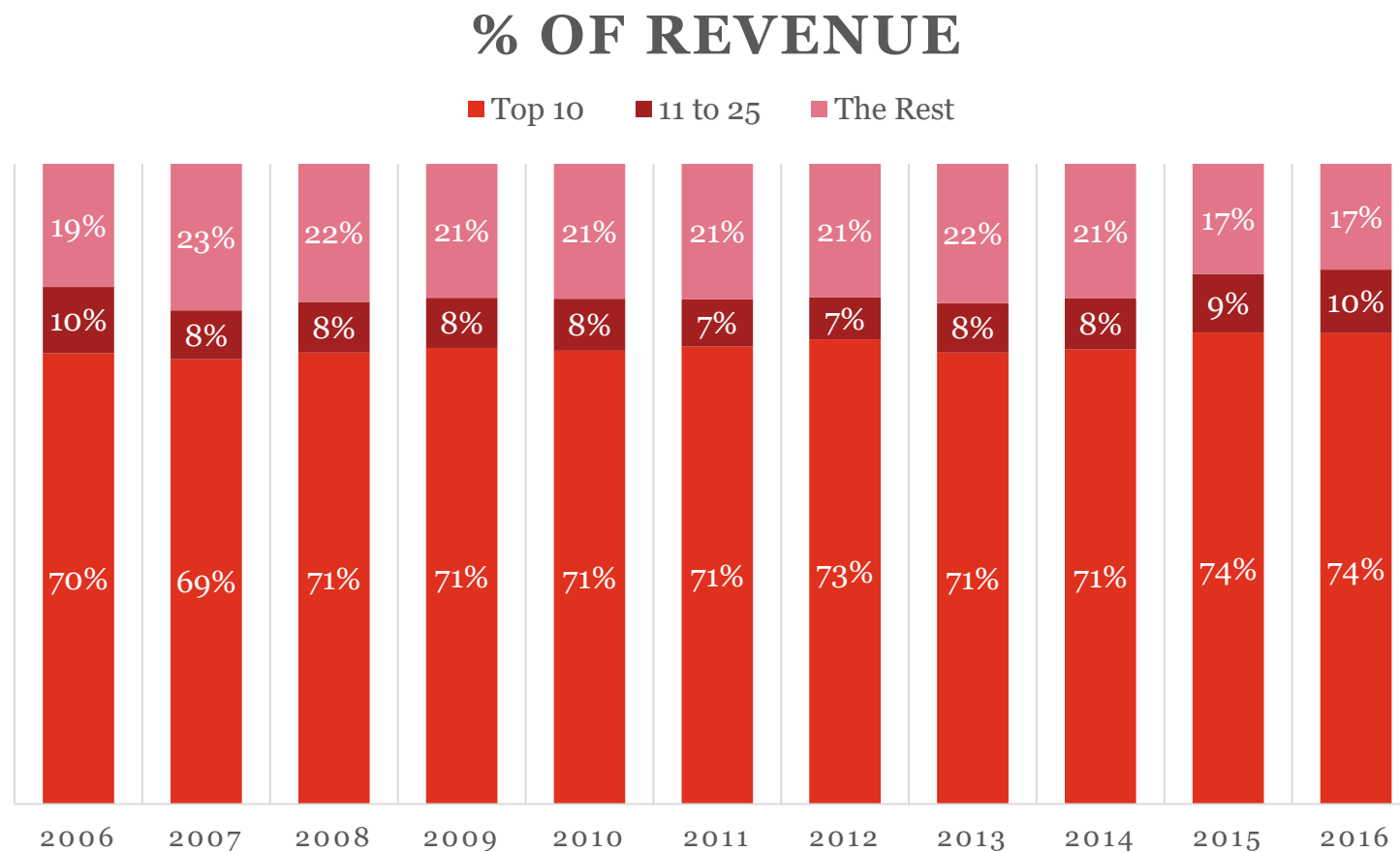
2016 showed record revenues

Annual revenue 2006-2016



* CAGR: Compound Annual Growth Rate
 Source: IAB Internet Advertising Revenue Report, FY 2016

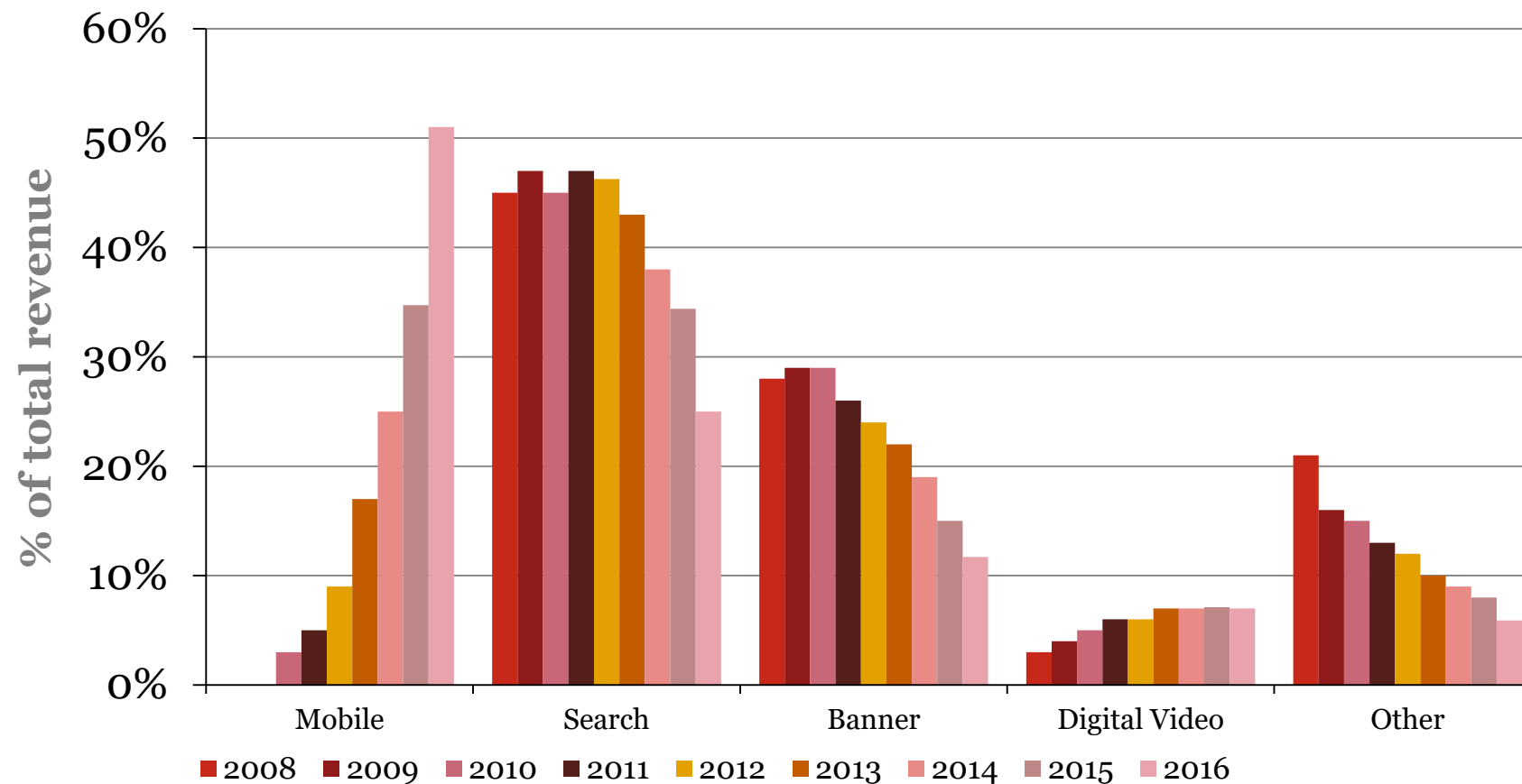
Historical Revenue Concentrations



Source: IAB Internet Advertising Revenue Report, FY 2016

Historical trends in internet advertising formats

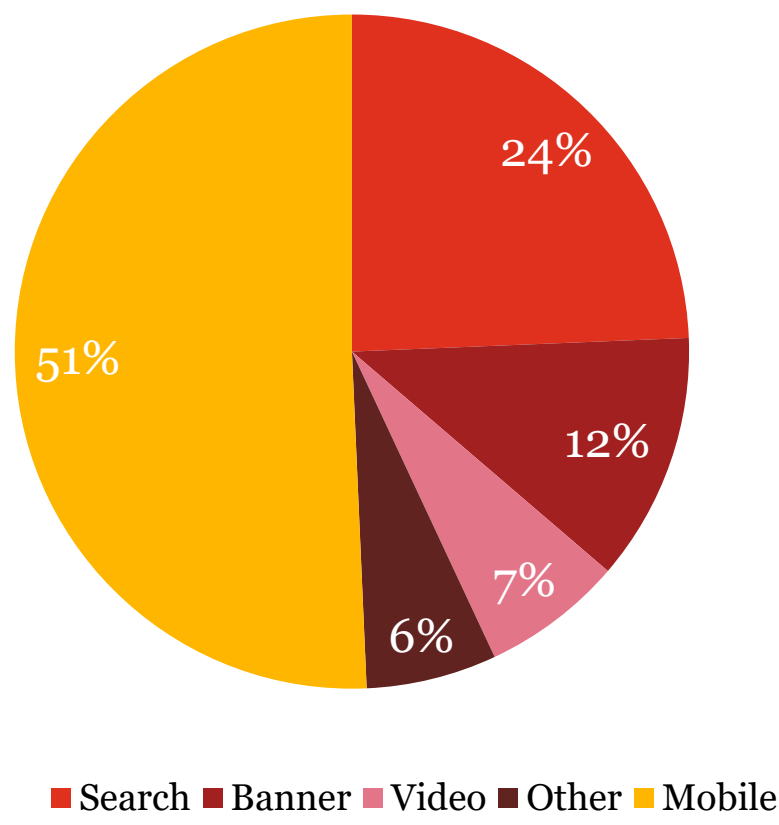
Revenue share by major ad formats, 2008–2016



Source: IAB Internet Advertising Revenue Report, FY 2016

Distributing Mobile across formats demonstrates its importance to Search and Display

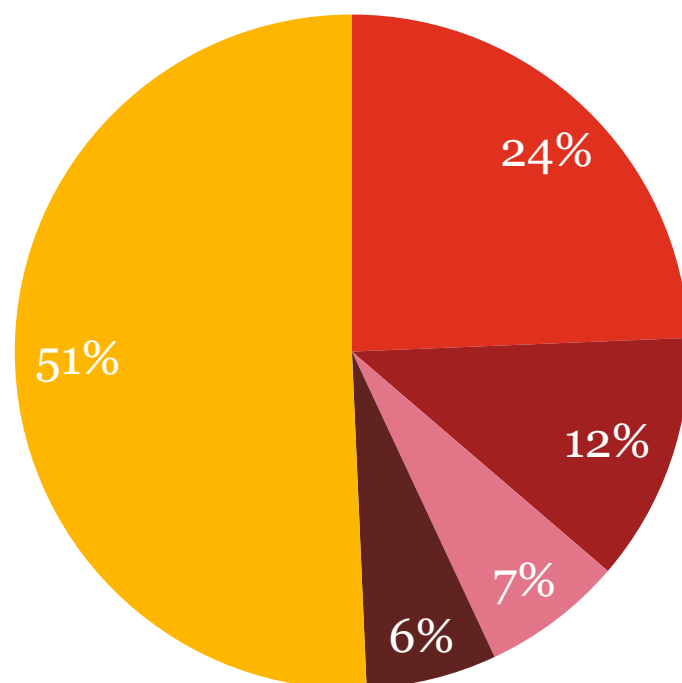
Formats –2016
(Mobile separated)



Source: IAB Internet Advertising Revenue Report, FY 2016

Distributing Mobile across formats demonstrates its importance to Search and Display

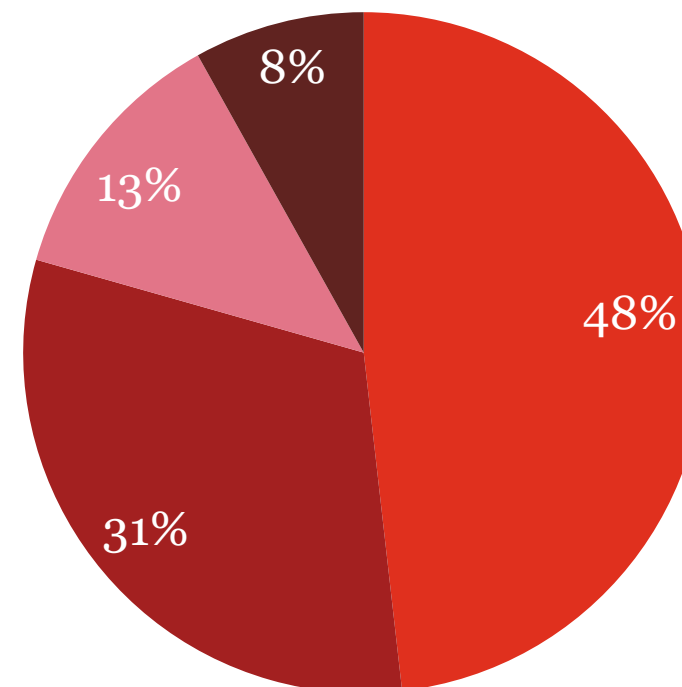
Formats –2016
(Mobile separated)



■ Search ■ Banner ■ Video ■ Other ■ Mobile

Source: IAB Internet Advertising Revenue Report, FY 2016

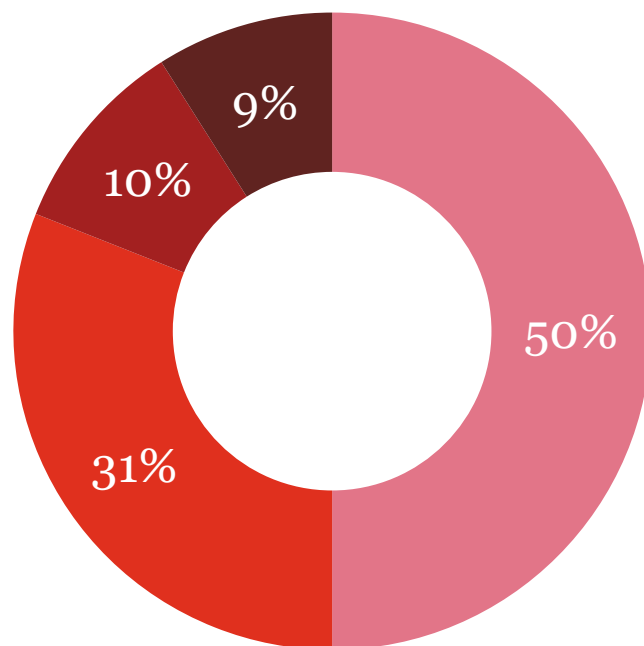
Formats –2016
(Mobile included)



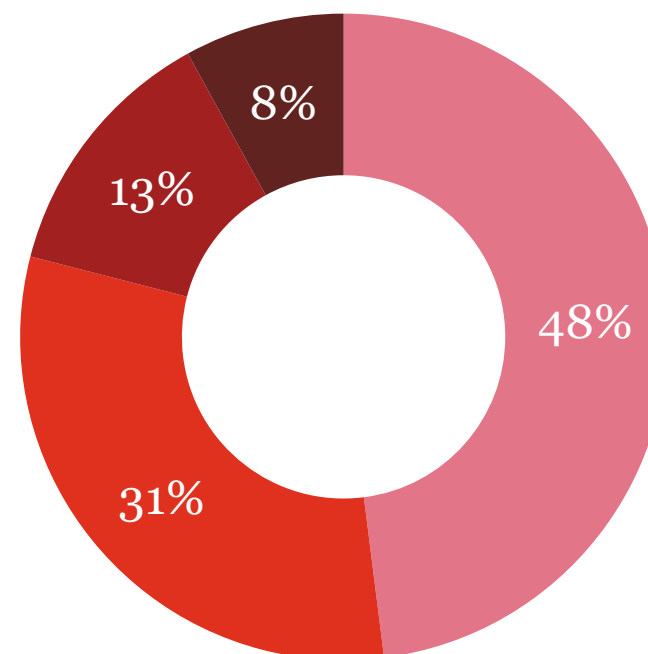
■ Search ■ Banner ■ Video ■ Other

2016 saw Video grow and Search take a slight stumble

Formats –2015
(Mobile included)



Formats –2016
(Mobile included)



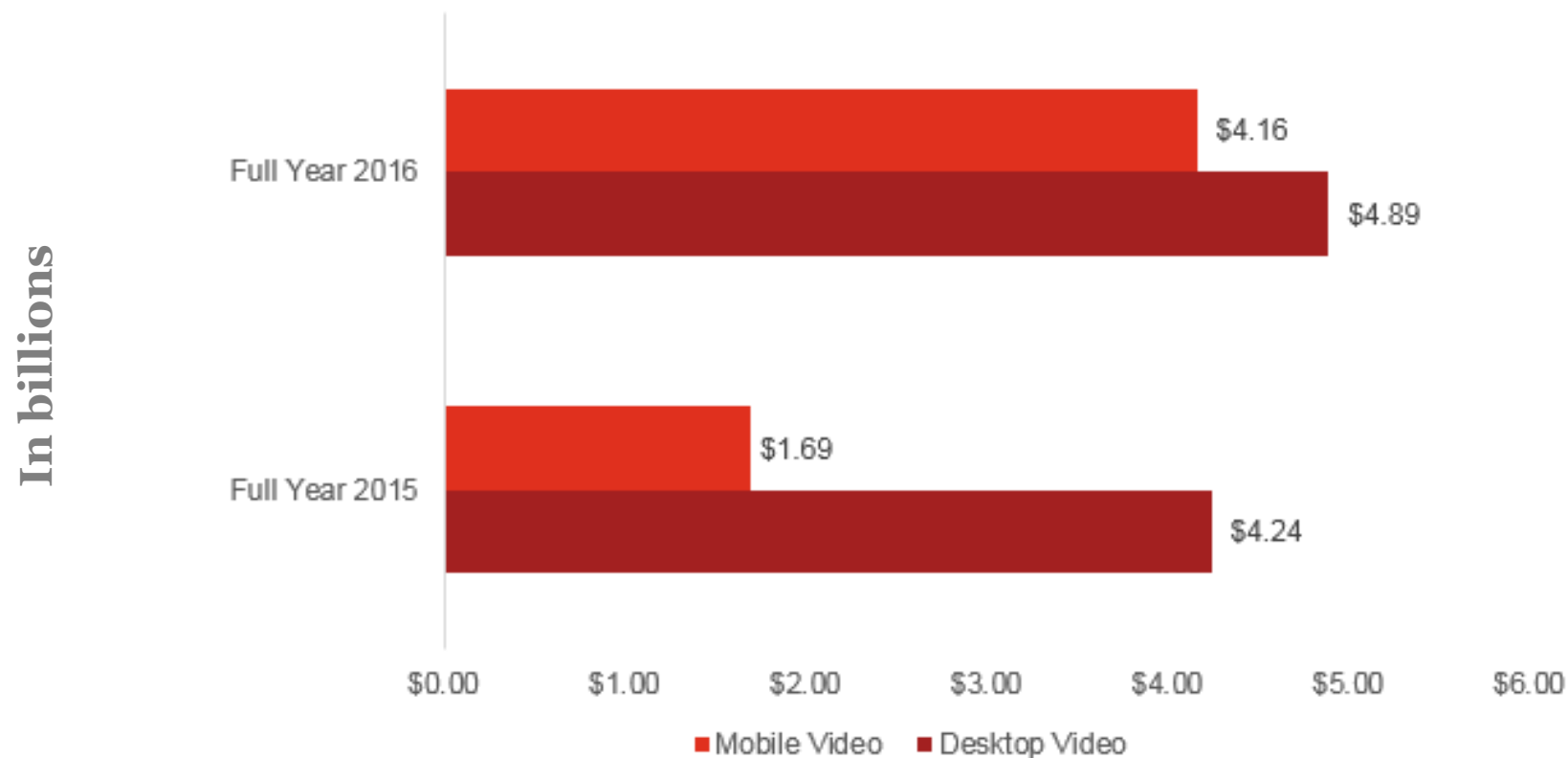
■ Search ■ Banner ■ Video ■ Other**

** Other includes: Classifieds, Lead Generation, and Audio

Source: IAB Internet Advertising Revenue Report, FY 2016

Digital video – The gap between formats is closing

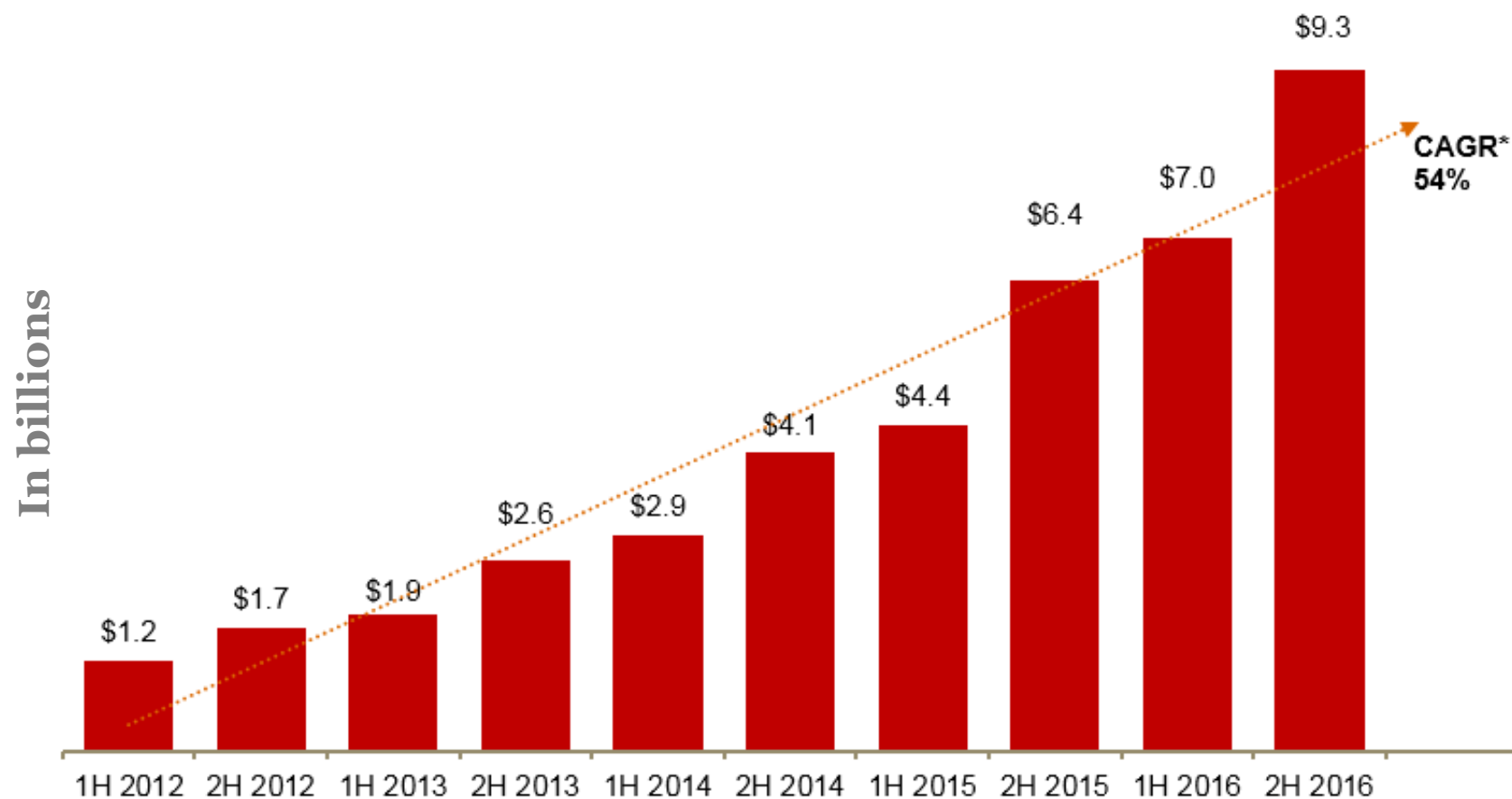
Digital video ad revenues, 2015 – 2016



Source: IAB Internet Advertising Revenue Report, FY 2016

Social media demonstrated continued growth

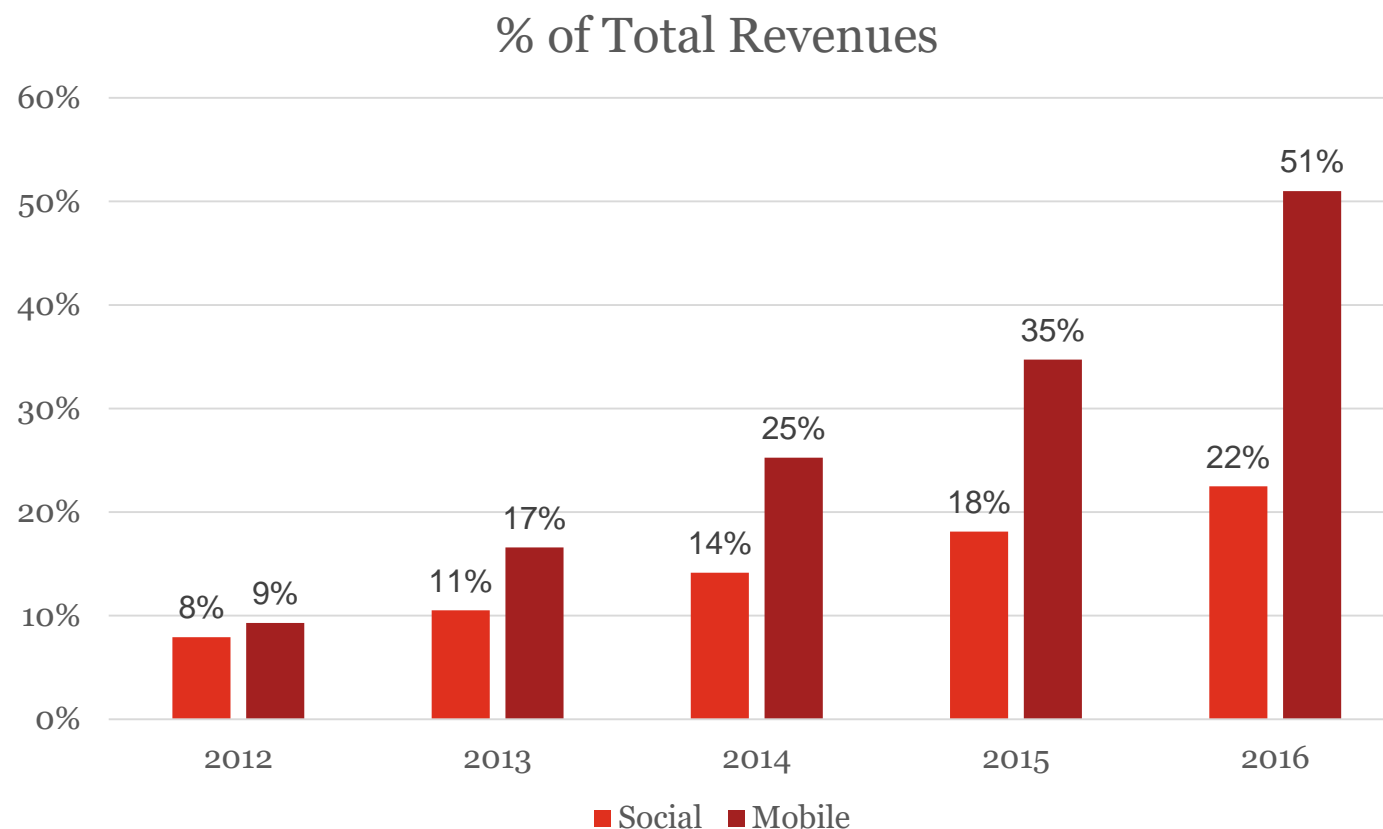
Social media ad revenues, 2012 –2016



* CAGR: Compound Annual Growth Rate
Source: IAB Internet Advertising Revenue Report, FY 2016

Social Media and Mobile Impact

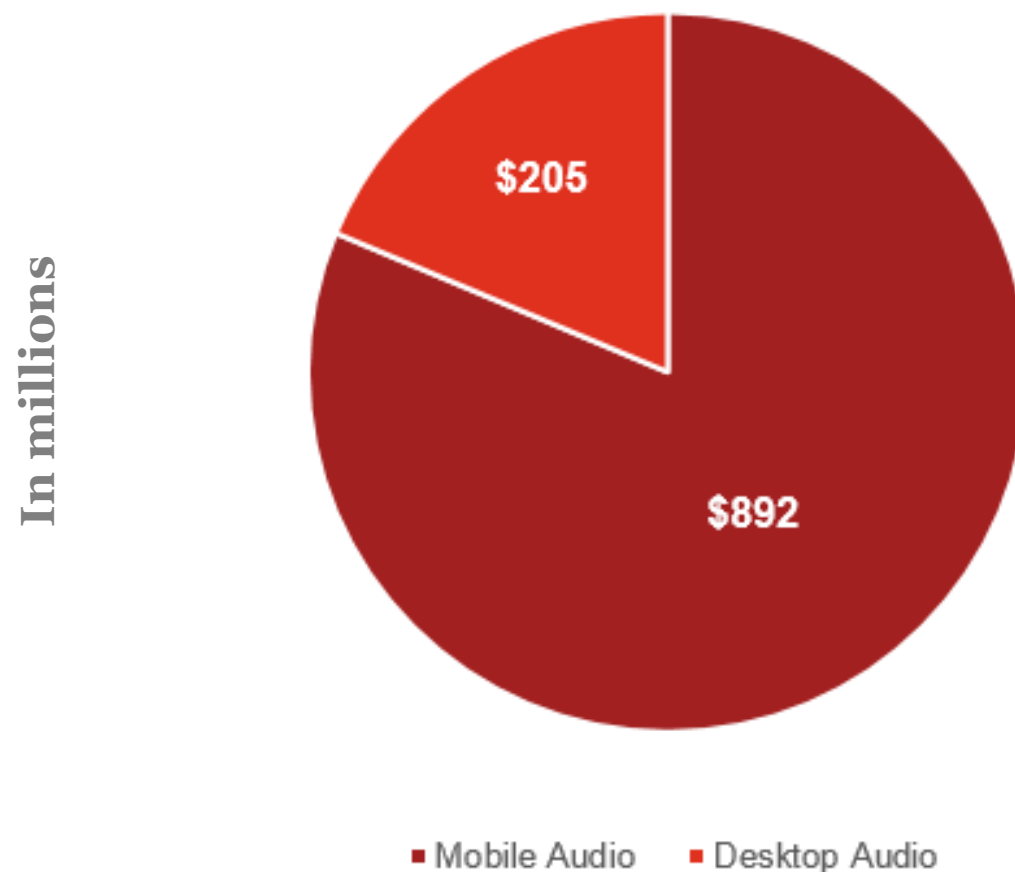
Percentage of Revenues 2012 - 2016



Source: IAB Internet Advertising Revenue Report, FY 2016

Digital audio makes its report debut

Digital audio ad revenues, 2016



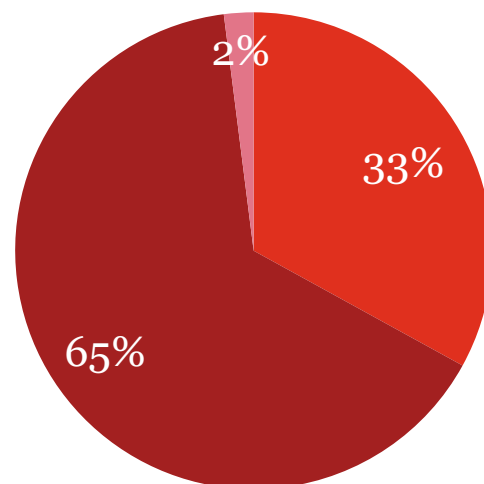
Digital audio generated \$1.1B in FY 2016; mobile represented 81% of the total

Source: IAB Internet Advertising Revenue Report, FY 2016

Impression-based pricing showed slight uptick

Internet ad revenues by pricing model, 2015 vs. 2016

2015

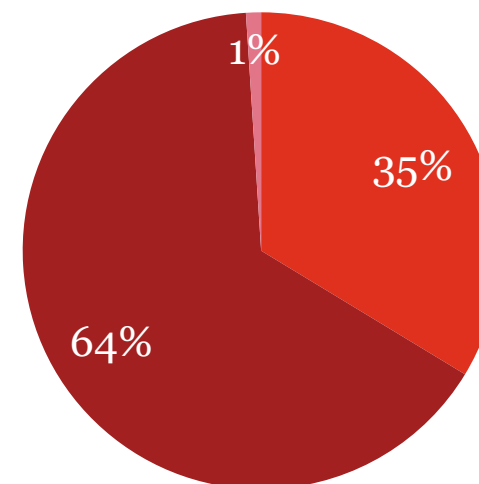


■ Impression-based ■ Performance-based
■ Hybrid

Total – \$59.6 billion

Source: IAB Internet Advertising Revenue Report, FY 2016

2016

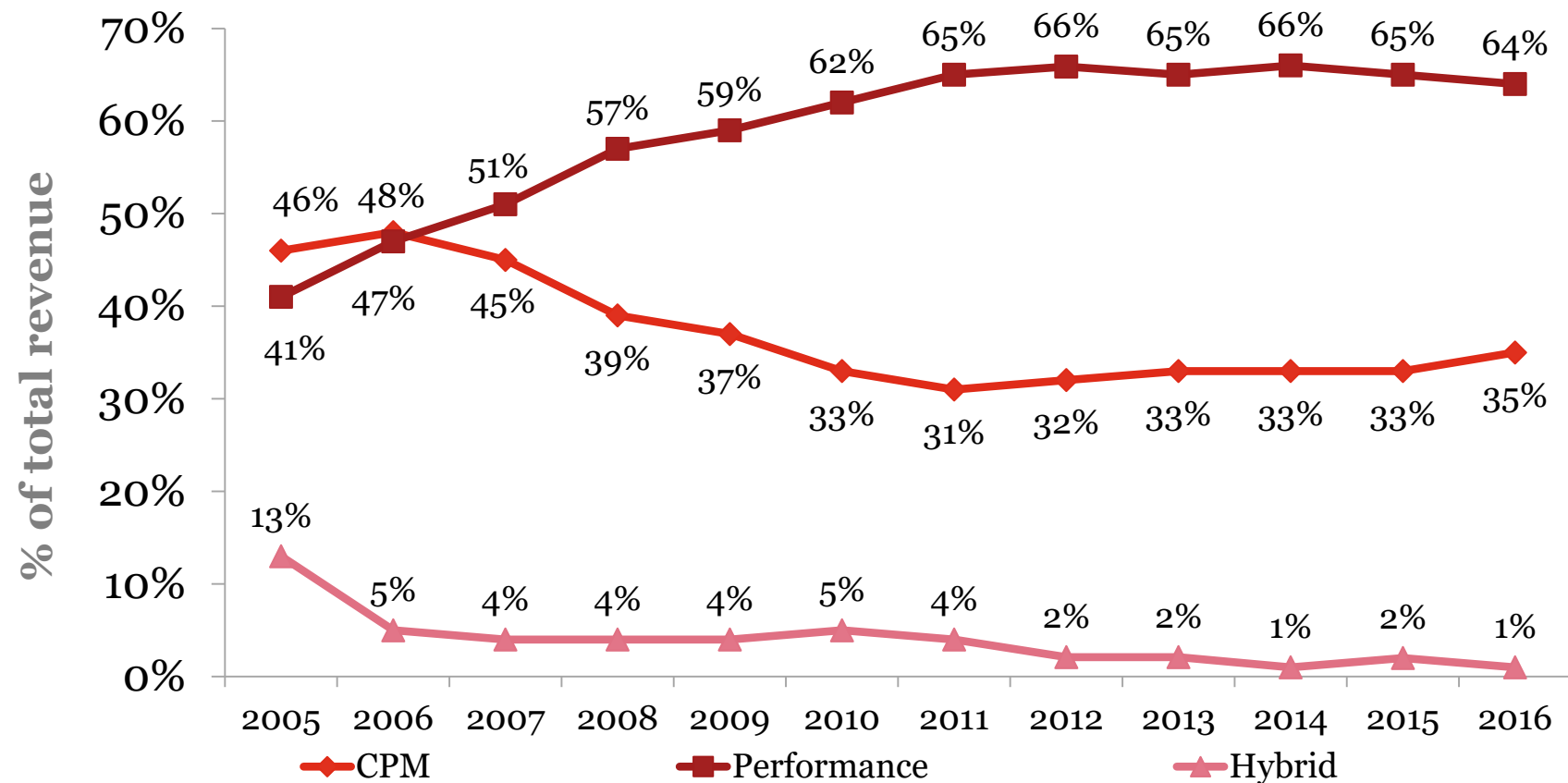


■ Impression-based ■ Performance-based
■ Hybrid

Total – \$72.5 billion

Historical pricing model trends

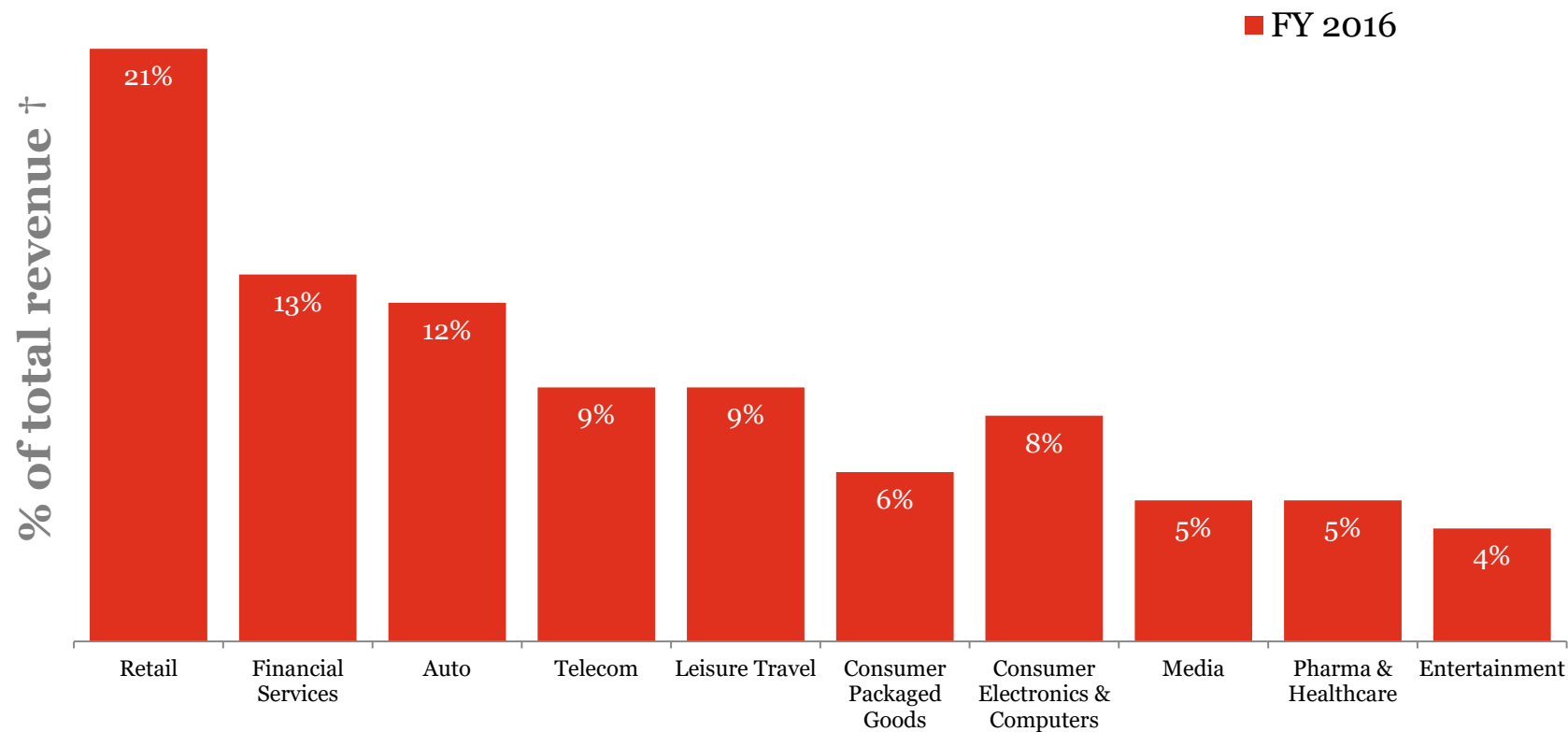
Internet ad revenues by pricing model, 2005–2016



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

Source: IAB Internet Advertising Revenue Report, FY 2016

Internet ad revenues by major industry category



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

Source: IAB Internet Advertising Revenue Report, FY 2016

Technology and Entertainment, Media, and Communications practices

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