Full Year 2016 and Q4 2016

IAB/PwC Internet Advertising Revenue Report
Detailed Analysis
April 2017

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IAB Internet Advertising Revenue Report

2016 full year results
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...

In billions

FY 2015

$59.6

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

In billions

FY 2015 $59.6

FY 2016 $72.5

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

Revenue in Q4 2016 was $4.2 billion higher than in Q4 2015

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.
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

In billions

<table>
<thead>
<tr>
<th>Year</th>
<th>Mobile</th>
<th>Non-Mobile</th>
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<tbody>
<tr>
<td>2006</td>
<td>16.9</td>
<td>16.9</td>
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<td>2007</td>
<td>21.2</td>
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<tr>
<td>2015</td>
<td>38.9</td>
<td>59.6</td>
</tr>
<tr>
<td>2016</td>
<td>35.9</td>
<td>72.5</td>
</tr>
</tbody>
</table>

- **Mobile**
- **Non-Mobile**

**16% Overall CAGR**

87% Mobile CAGR
6% Non-mobile CAGR

* CAGR: Compound Annual Growth Rate

Source: IAB Internet Advertising Revenue Report, FY 2016
**Historical Revenue Concentrations**

**% OF REVENUE**

- **Top 10**
- **11 to 25**
- **The Rest**

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)*

- **51%** for **Search**
- **24%** for **Mobile**
- **12%** for **Video**
- **7%** for **Banner**
- **6%** for **Other**

Source: IAB Internet Advertising Revenue Report, FY 2016
Distributing Mobile across formats demonstrates its importance to Search and Display

**Formats –2016**  
*(Mobile separated)*

- Search: 51%
- Banner: 24%
- Video: 12%
- Other: 6%
- Mobile: 7%

**Formats –2016**  
*(Mobile included)*

- Search: 48%
- Banner: 31%
- Video: 13%
- Other: 8%

Source: IAB Internet Advertising Revenue Report, FY 2016
2016 saw Video grow and Search take a slight stumble

Source: IAB Internet Advertising Revenue Report, FY 2016

**Other includes: Classifieds, Lead Generation, and Audio**
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: 65%
- Performance-based: 2%
- Hybrid: 33%

**2016**
- Impression-based: 64%
- Performance-based: 1%
- Hybrid: 35%

Total – $59.6 billion
Source: IAB Internet Advertising Revenue Report, FY 2016

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

FY 2016
Technology and Entertainment, Media, and Communications practices

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