IAB Internet Ad Revenue Report: Full Year 2017 and Q4 2017

Agenda

Welcome
Kristina Sruoginis, Research Director, IAB

Full Year 2017 and Q4 2017 Digital Ad Revenue Highlights
Anna Bager, EVP Industry Initiatives, IAB
Kristina Sruoginis, Research Director, IAB

Detailed Analysis of IAB PwC Full Year 2017 and Q4 2017 Report
David Silverman, Partner, PwC

Guest Presentation
Brian Wieser, CFA, Senior Analyst, Pivotal Research

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 2017 and Q4 2017

IAB Internet Advertising Revenue Report

Highlights

Anna Bager, EVP Industry Initiatives, IAB
The Nielsen Company estimates total media revenues for FY 2017 decreased -3% from FY 2016.
Mobile Has Grown to Account for Over Half of Digital Ad Revenue for FY ‘17

Mobile as a Percentage of Digital Ad Revenue Growth (FY 2016 vs. FY 2017)

- FY 2016 Total Digital (Desktop + Mobile) Ad Revenue: $36.6 billion
- FY 2016 Mobile Ad Revenue: $21%
- FY 2017 Total Digital (Desktop + Mobile) Ad Revenue: $49.9 billion
- FY 2017 Mobile Ad Revenue: 57%

IAB Full Year 2017 and Q4 2017 Internet Advertising Revenue Report
Full Year 2017 Ad Revenue: Digital vs. Traditional Media

Full Year 2017 Ad Revenue ($ Billions)

- **Digital**: $88.0 (21% YoY change)
- **TV**: $70.1 (-3% YoY change)
- **Magazines**: $20.9 (-1% YoY change)
- **Radio**: $17.6 (1% YoY change)
- **Newspaper**: $17.0 (-7% YoY change)
- **OOH**: $9.6 (4% YoY change)

Source: PWC
Q4 2017

IAB Internet Advertising Revenue Report

Q4 Highlights and CPM Trends

Anna Bager, EVP Industry Initiatives, IAB
According to Nielsen, total media revenues increased 2% from Q4 2016 to Q4 2017.

*The Nielsen Company, MonitorPlus (Standard Calendar, Total includes B2B, National Internet (Display only), FSI Coupons, Cinema, Out of Home), Nov. 2017
Average CPM Monthly Trend: Display and In-Stream Video

WebCosts Database Display and In-Stream Video Average CPM Comparison
All sites / All Categories

Display
2016 Avg. CPM $13.85
2017 Avg. CPM $14.72
+6% Increase

In-Stream Video
2016 Avg. CPM $24.55
2017 Avg. CPM $25.22
+3% Increase

All sites / All Categories

2016 Display
2017 Display
2016 In-Stream
2017 In-Stream
Average CPM Monthly Trend Across Eight Display Categories

Eight Category Average Display CPM Monthly Trend
Average CPMs of All Sites in Category for Reported Month (Jan. 2017 – Dec. 2017)

- Finance/Insurance/Investment
- Automotive
- News & Information
- Entertainment
- Corporate Information
- Search Engines / Portals & Communities
- Home and Fashion
- Family & Lifestyles
- Eight Category Average

Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec

$0.00, $5.00, $10.00, $15.00, $20.00, $25.00, $30.00

SQAD Copyright(c) 2009-2016 SQAD LLC - All Rights Reserved
Source: WebCosts Database, SQAD.com
IAB Full Year 2017 and Q4 2017 Internet Advertising Revenue Report

Note: Category titles refer to Nielsen dictionary. Corporate information includes primarily ad networks.
Full Year 2017

IAB Internet Advertising Revenue Report

Formats

Kristina Sruoginis, Research Director, IAB
All Formats Grow from a Year Ago

% of Total Digital Ad Revenue

- **Search**: Total search ad revenue (mobile + desktop) is up 18% to $40.6 billion
- **Banner***: Total banner advertising (mobile + desktop) is up 23% to $27.5 billion
- **Video**: Total video ad revenue (mobile + desktop) is up 33% to $11.9 billion
- **Audio**: Total audio ad revenue (mobile + desktop) is up 39% to $1.6 billion

*Includes banners, rich media and sponsorships.
Mobile Advertising Revenue Growth: Full Year 2017 Mobile Revenue $50 Billion

US Mobile Ad Revenue ($ Billions)

Full Year, Half Year and % YoY Growth

- 1st Half Year
- 2nd Half Year

<table>
<thead>
<tr>
<th>Year</th>
<th>1st Half Year</th>
<th>2nd Half Year</th>
<th>Full Year</th>
<th>Growth FY</th>
<th>Growth 1HY</th>
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<tbody>
<tr>
<td>FY'12</td>
<td>$3.4</td>
<td>$1.2</td>
<td>$4.6</td>
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<td>145%</td>
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<tr>
<td>FY'13</td>
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<td>$3.0</td>
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<td>75%</td>
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<tr>
<td>FY'14</td>
<td>$12.4</td>
<td>$7.1</td>
<td>$19.5</td>
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<td>54%</td>
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<tr>
<td>FY'15</td>
<td>$12.5</td>
<td>$8.2</td>
<td>$20.7</td>
<td>77%</td>
<td>89%</td>
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<tr>
<td>FY'16</td>
<td></td>
<td>$15.5</td>
<td>$21.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY'17</td>
<td></td>
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<td>$49.9</td>
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</tbody>
</table>

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

IAB Full Year 2017 and Q4 2017 Internet Advertising Revenue Report
Shift to Mobile: Mobile Accounts for an Increasingly Large Portion of Each Digital Format

- **Search:**
  - 2016: 49% Mobile, 51% Desktop
  - 2017: 54% Mobile, 46% Desktop

- **Banner***:
  - 2016: 61% Mobile
  - 2017: 67% Mobile

- **Video**:
  - 2016: 45% Mobile
  - 2017: 52% Mobile

- **Audio**:
  - 2016: 79% Mobile
  - 2017: 77% Mobile

*Includes banners, rich media and sponsorships.
Mobile Growth: Strong Mobile Growth Within Digital Formats in FY '17

- **Search**: Mobile search ad revenue is up 31% to $22.1 billion
- **Banner**: Mobile banner advertising is up 35% to $18.4 billion
- **Video**: Mobile video ad revenue is up 54% to $6.2 billion
- **Audio**: Mobile audio ad revenue is up 36% to $1.2 billion

*Includes banners, rich media and sponsorships.
Total Social Media Revenue (Mobile + Desktop) Has Doubled in Just Two Years

**US Social Media Ad Revenue ($ Billions)**
Across Formats and Devices
Full Year, Half Year and % YoY Growth

<table>
<thead>
<tr>
<th></th>
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<th>2nd Half Year</th>
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<tbody>
<tr>
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<td>$4.5</td>
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<td>$12.6</td>
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</table>

Note: Full Year totals accurately reflect the sum of Half Year totals as rounded to two decimal places.
Total Video Ad Revenue (Mobile + Desktop) Has Doubled Since 2015

**US Total Video (Mobile + Desktop) Ad Revenue ($ Billions)**

*Full Year, Half Year and % YoY Growth*

<table>
<thead>
<tr>
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*Note that FY'16 video revenue has been restated.*
Total Audio Ad Revenue (Mobile + Desktop) Has Grown 39% Year Over Year

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

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
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</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>$705 M</td>
<td>$971 M</td>
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<tr>
<td>1st Half Year</td>
<td>$425 M</td>
<td>$603 M</td>
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<tr>
<td>2nd Half Year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Growth
FY: 39%
1HY: 42%
Key Takeaways: Digital Ad Revenue $88 Billion in 2017

- Digital ad revenue continues to grow: $88 Billion in 2017, up 21%. All formats have grown in revenue.
- Ongoing double-digit growth across formats and platforms in digital persists in an otherwise flat or declining media market.
- Mobile increasingly plays a larger role, reflecting consumer usage:
  - 57% of all digital ad revenue is from Mobile, which is $49.9 Billion in 2017.
  - Over half of search revenue is from mobile, two-thirds of banner revenue is mobile, over half of video revenue is mobile, 3 in 4 audio dollars are from mobile.
- Video continues to grow substantially:
  - Up 33% to $11.9 billion in 2017
  - Mobile Video up 54% to $6.2 Billion in Full Year 2017
  - 14% of all digital ad revenue is from digital video, up from 12%, taking share from Search which now accounts for 46% of all ad revenue, from 48% in 2016.
- Search continues to grow, up 18% to $40.6B.
- Brand spend continues to rise:
  - Audio (up 39%), Video (up 33%), and Banner ads (up 23%) have grown substantially
  - CPMs are up year over year (according to SQAD’s WebCosts data)

*Banner advertising includes banner ads, rich media, and sponsorships.
Questions?

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THANK YOU

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