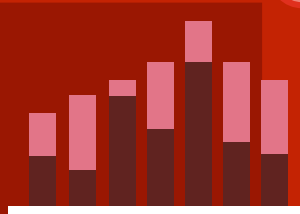


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www.iab.net

IAB internet advertising revenue report

2017 full year results

iab.



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Advertising by media type

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.

Executive Summary

2017 Full Year Highlights

Internet advertising revenues (“revenues”) in the United States totaled \$88.0 billion for the full year (“FY”) of 2017, with Q4 2017 accounting for approximately \$26.1 billion and Q3 2017 accounting for approximately \$21.8 billion. Revenues for FY 2017 increased 21.4% over FY 2016.

Key Trends

The shift to mobile continues

Advertising revenues delivered on mobile devices totaled \$49.9 billion in FY 2017, a 36.2% increase from the prior full year revenues of \$36.6 billion. Advertising delivered on mobile devices now makes up 56.7% of total internet advertising revenues.

Video continues strong growth

Digital video advertising totaled \$11.9 billion, a 32.9% increase from the prior year.

Social Media impact

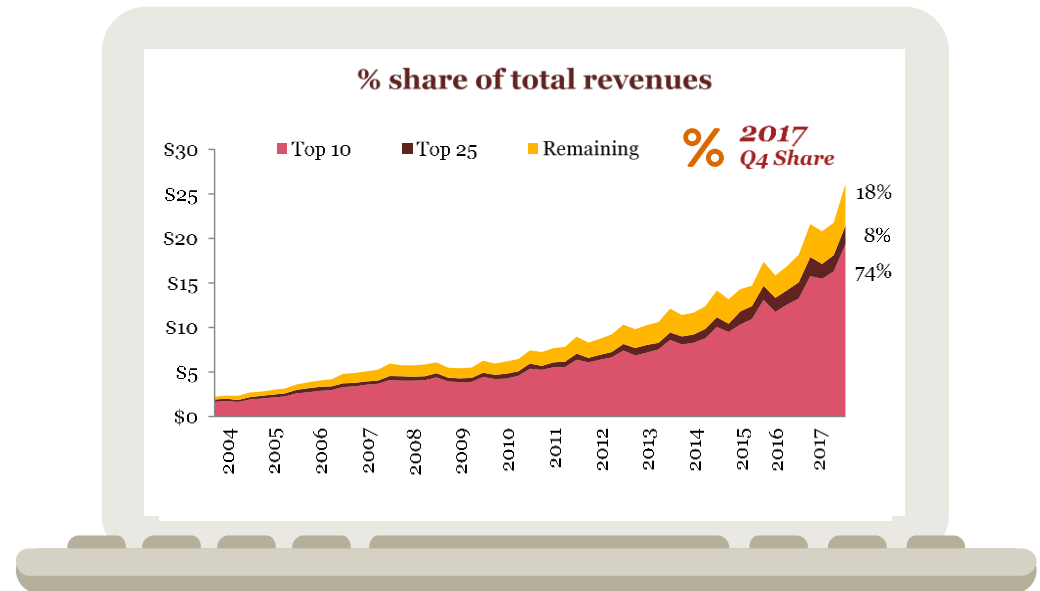
Advertising revenues from social media sites totaled more than \$22 billion and now comprise approximately a quarter of all internet ad revenues

Key Growth Drivers

Exploring the Drivers of Growth

Over the past 21 years the internet has grown from a nascent industry to the largest ad supported media in the United States.

- Leading Companies have helped drive the growth
- Top 10 have historically contributed between 68% and 75% of overall revenue
- Changes in the top 10 composition occur frequently



Enabling Advertising Scalability

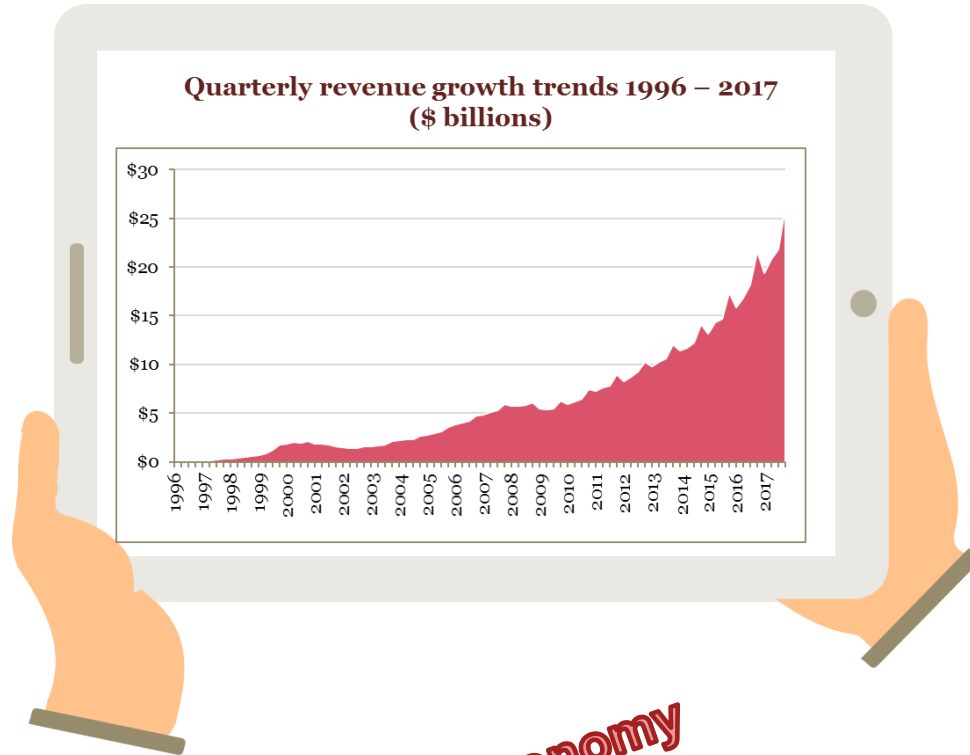
Data & Analytics

Artificial Intelligence

Processing Speed

F500 to SMBs

Lots of eyeballs (and ears)



Bandwidth

Mobility

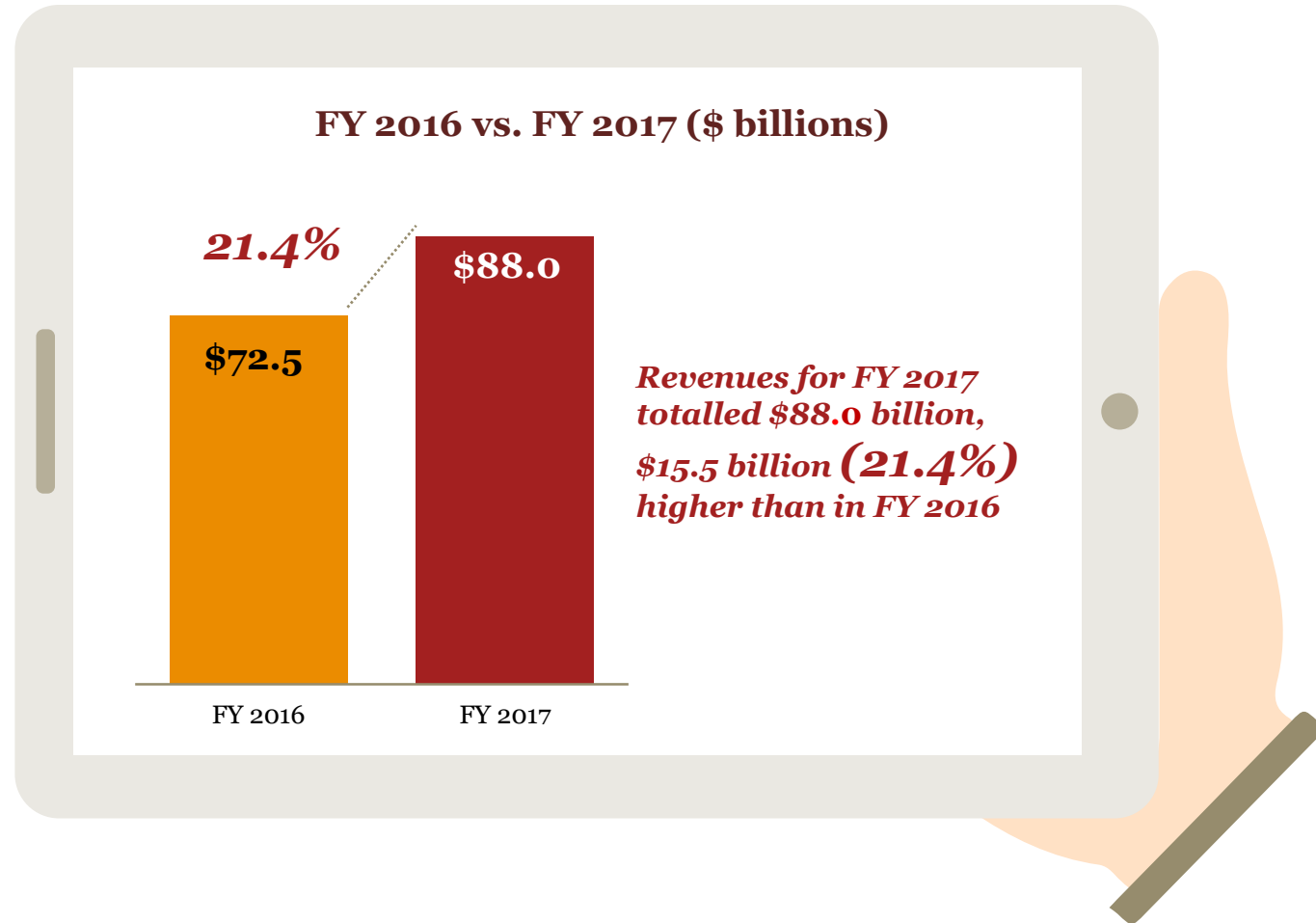
Direct Brand Economy

AR and VR

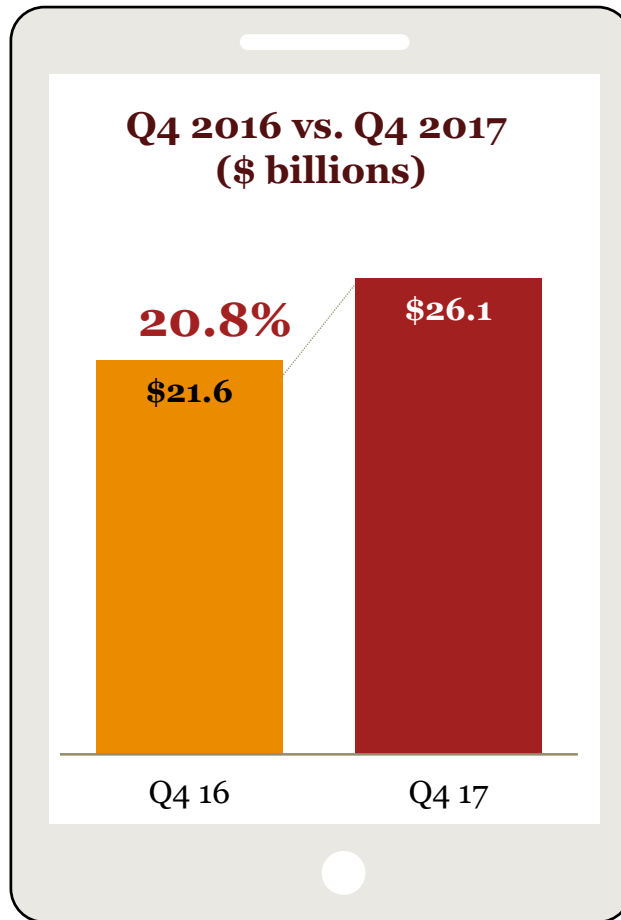
Voice-based systems

Full year revenues totaled \$88.0 billion in 2017

Revenues for FY 2017 were 21.4% higher than in FY 2016

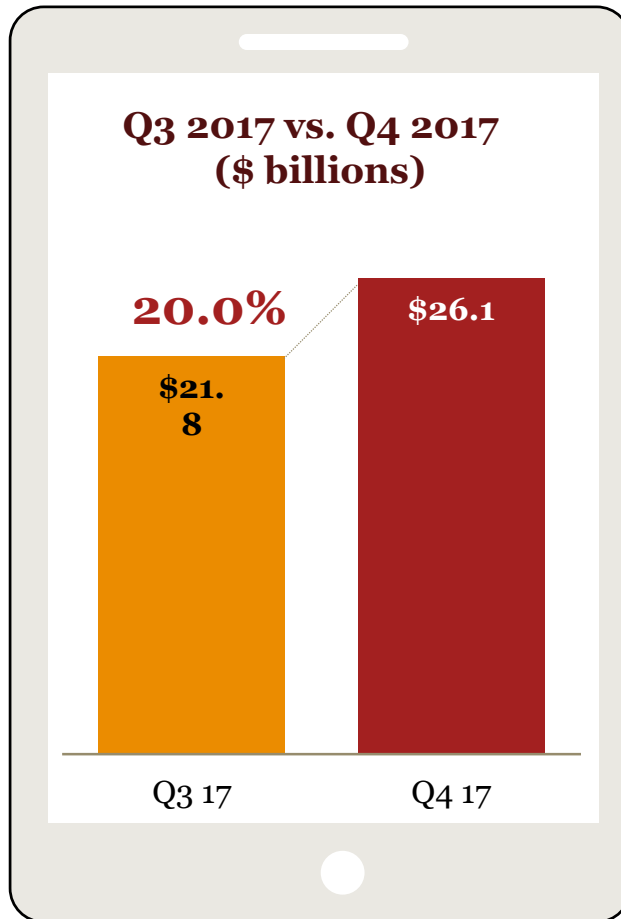


2017 fourth quarter revenues totaled \$26.1 billion



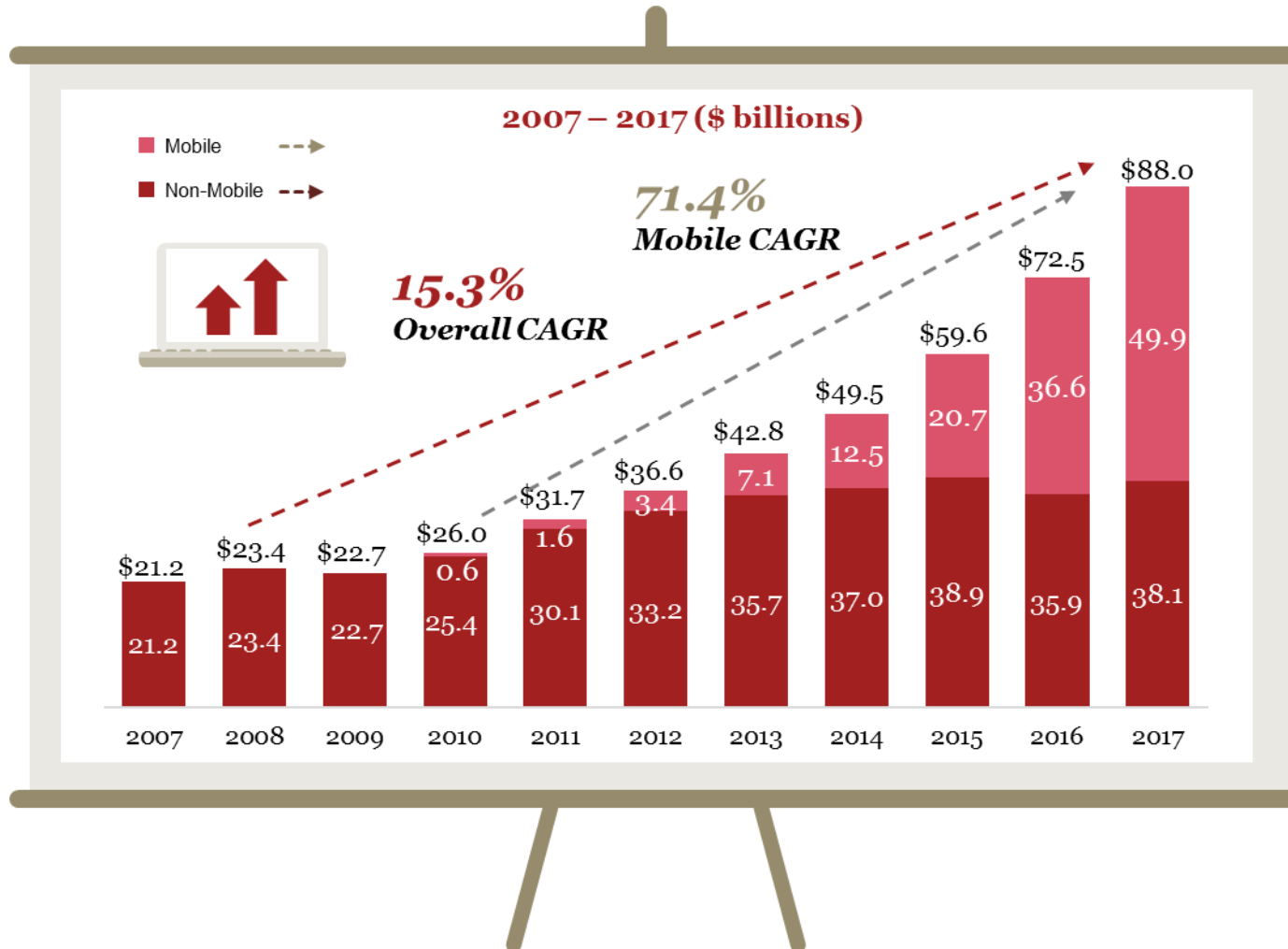
***Revenue in Q4
2017 was \$4.5
billion higher
than in Q4 2016***

Strong growth between Q3 2017 and Q4 2017



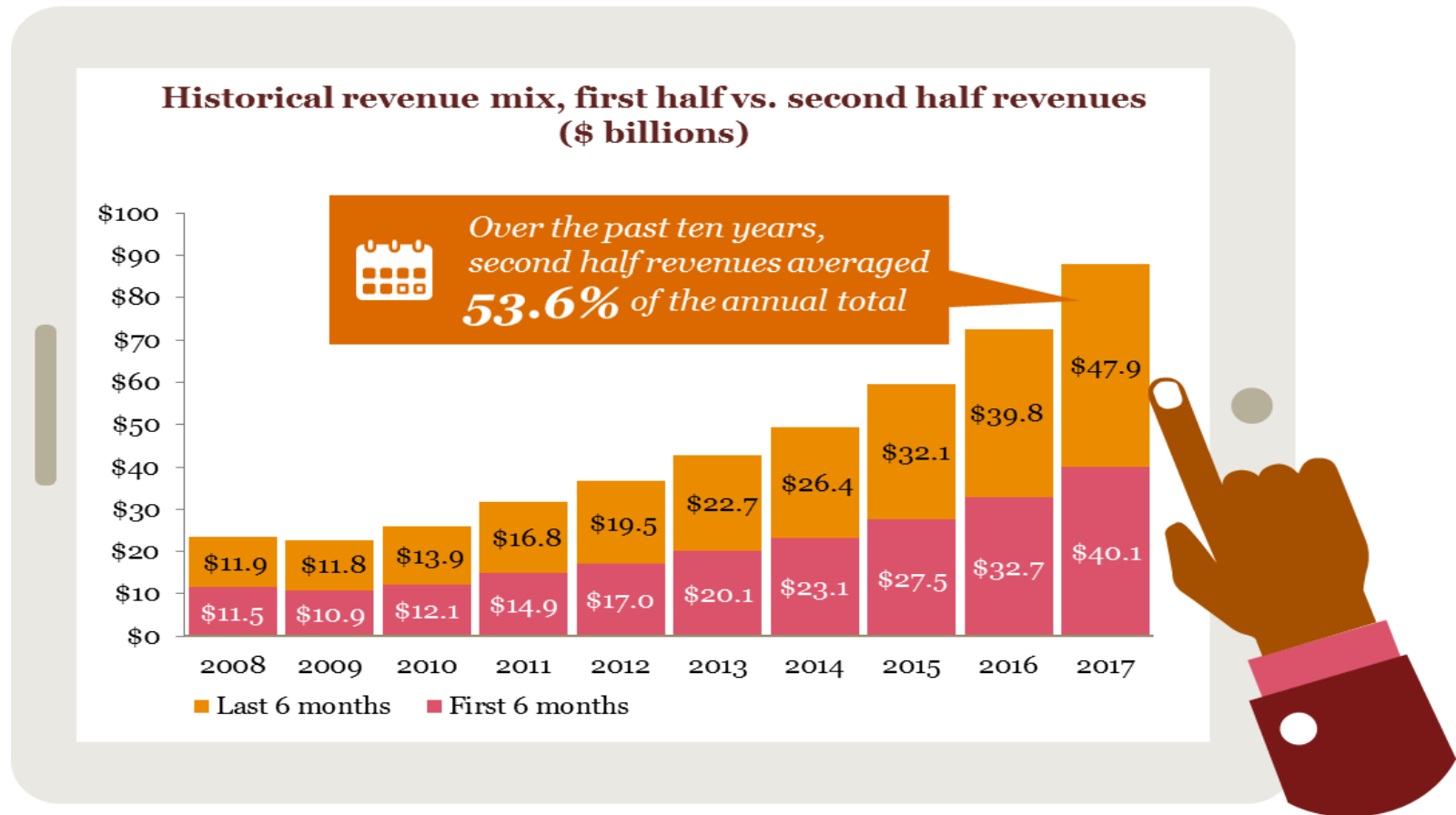
***Revenue in Q4
2017 was \$4.3
billion higher
than in Q3 2017***

Mobile internet advertising dominated total revenues in 2017



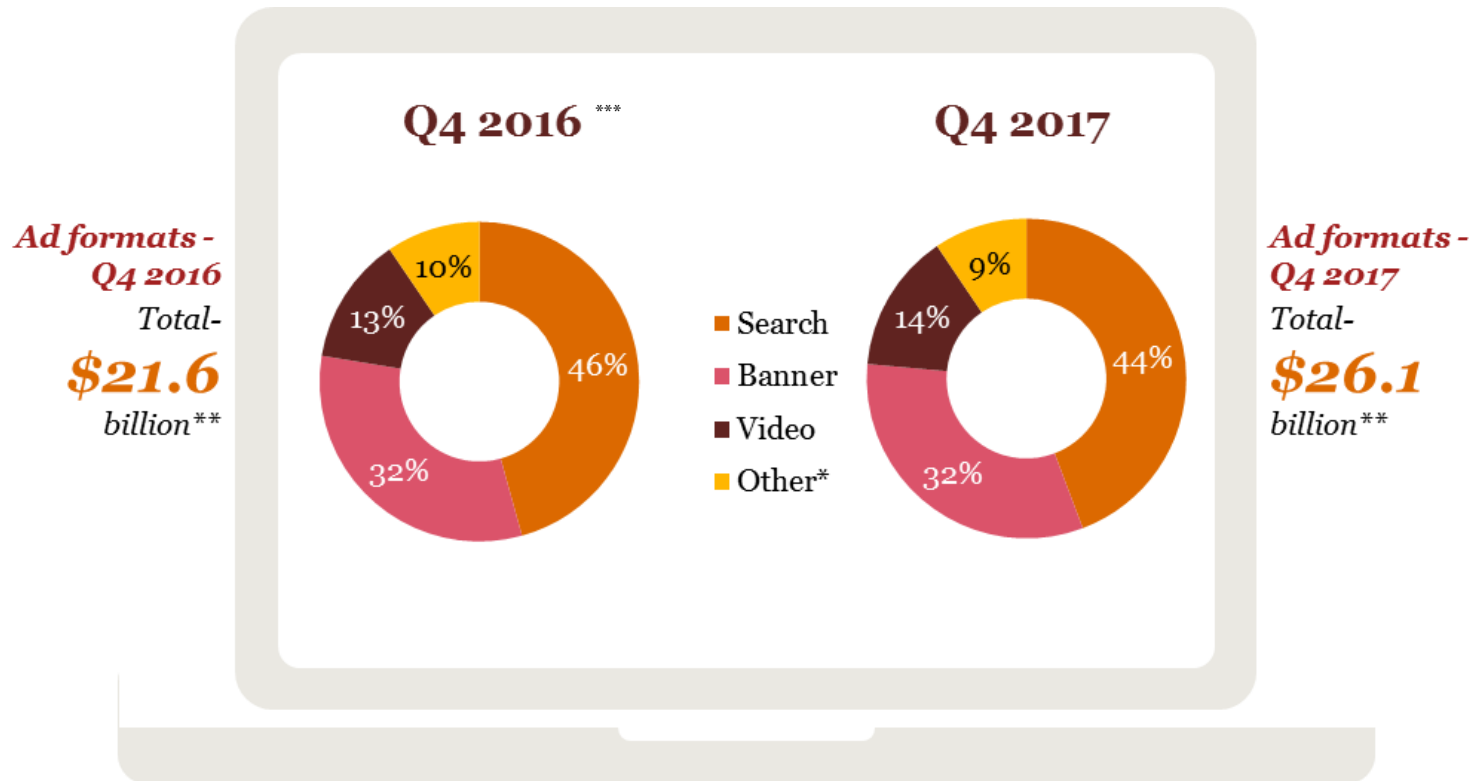
Second half revenues reached \$47.9 billion

Historical revenue mix, first half vs. second half



Advertising formats – Q4 2017

Search related revenues lost total revenue share, while digital video revenues exhibited steady growth in Q4 2017



* Other includes: "Classifieds," "Lead Generation," "Audio," and "Unspecified Other."

** For the purposes of this study, minor categories have been excluded, resulting in a <100% total.

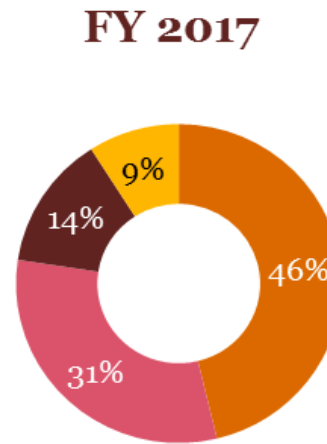
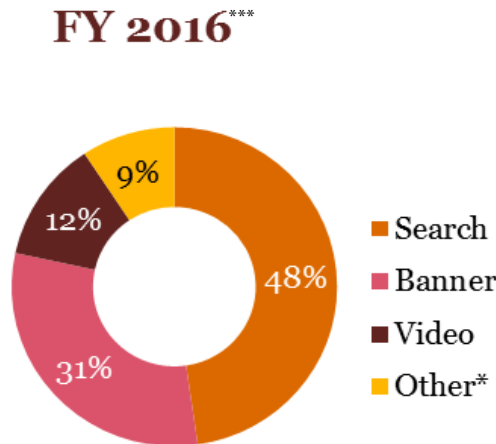
*** Certain prior year amounts have been reclassified based on new findings:

(\$ millions)	As originally reported	As revised
Search	\$10,009	\$9,869
Banner	\$7,021	\$6,891
Video	\$2,835	\$2,788
Other	\$1,743	\$2,060

Advertising formats – FY 2017

FY 2017 trends mirrored those of Q4, with search related revenues growing in number, but decreasing in overall revenue share

Ad formats -
FY 2016
Total-
\$72.5
billion**



Ad formats -
FY 2017
Total-
\$88.0
billion**

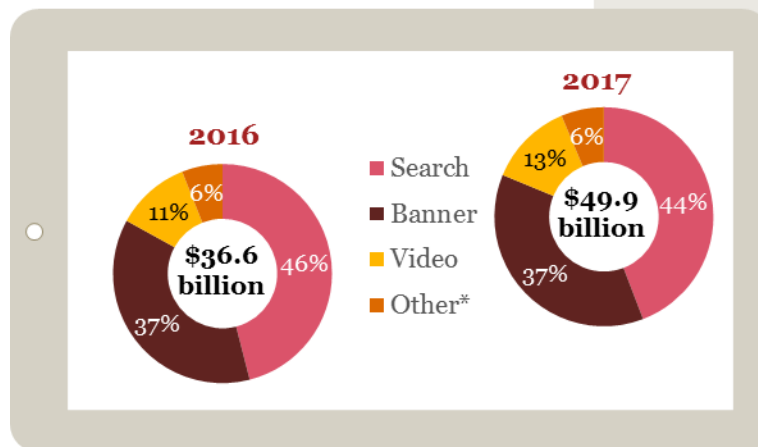
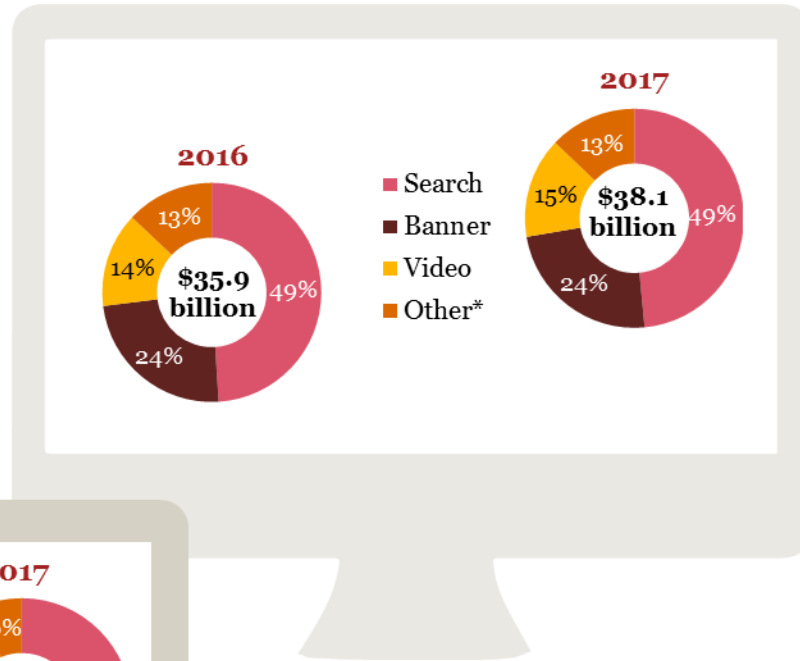
* Other includes: Classifieds, Lead Generation, Audio, and Unspecified Other ("Unspecified Other" category was not specified by respondents).
** Amounts may not equal 100% due to rounding and omission of minor categories.
*** Certain prior year amounts have been reclassified based on new findings.

(\$ millions)	As originally reported	As revised
Search	\$34,980	\$34,575
Banner	\$22,625	\$22,288
Video	\$9,054	\$8,928
Other	\$5,962	\$6,732

Advertising formats – FY 2017

Across desktop and mobile platforms Digital Video gains

*Desktop Ad formats
FY 2017 v FY 2016*



*Mobile Ad formats
FY 2017 v FY 2016*

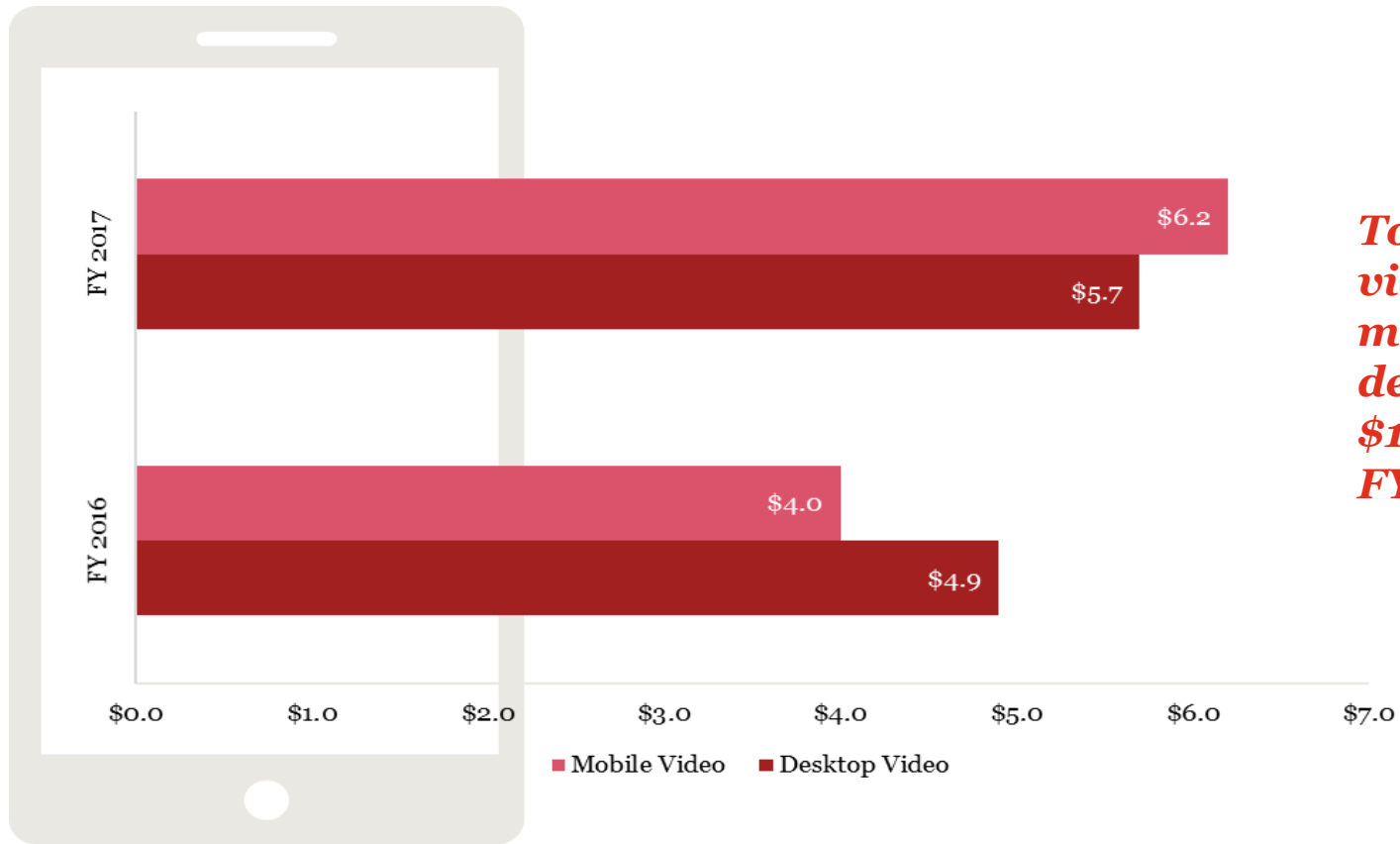
* Other includes: Classifieds, Lead Generation, and Audio

PwC

May 2018

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Mobile overtakes desktop in Digital Video



Total digital video, including mobile and desktop, rose to \$11.9 billion in FY 2017

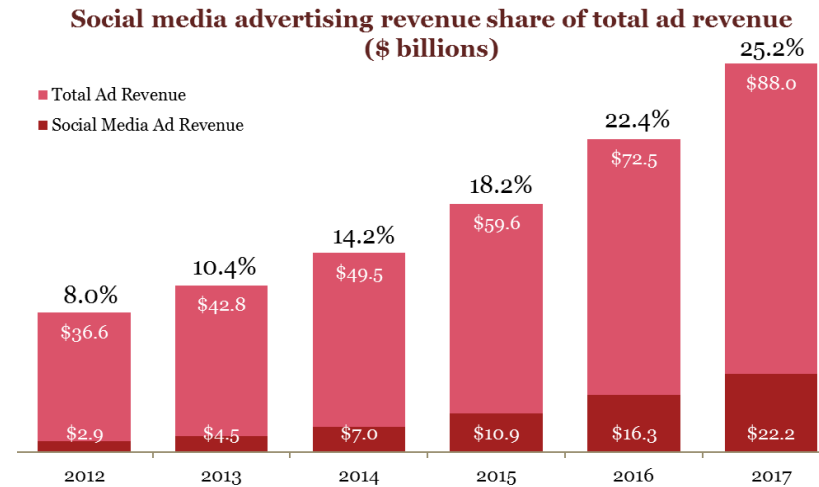
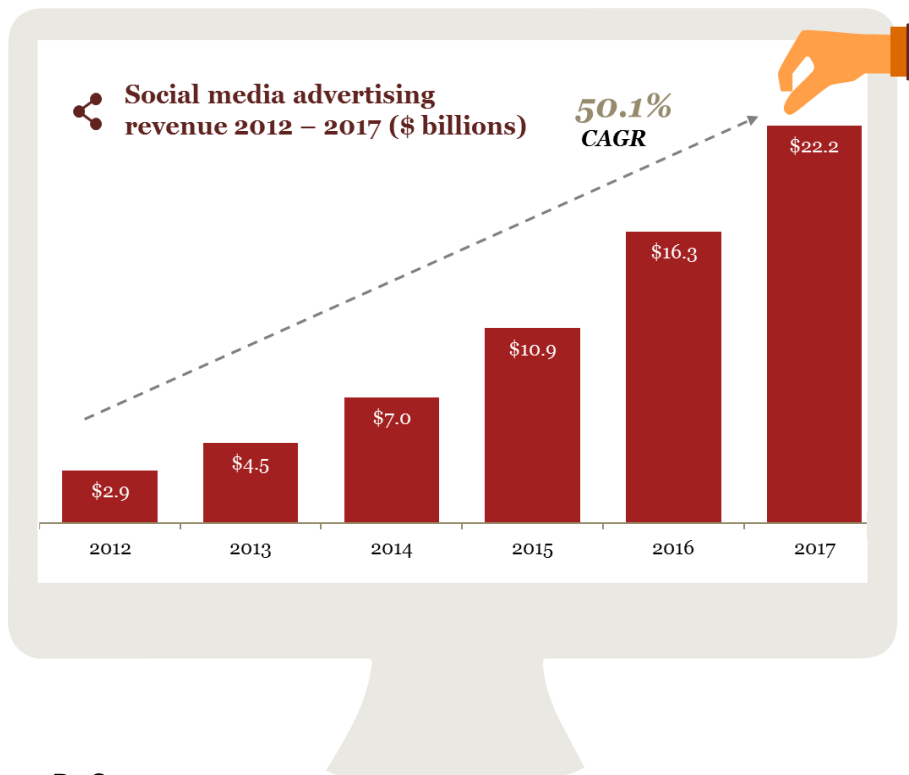
Historical Digital Video Revenues, Full Year (\$ billions)

*Certain prior year amounts have been reclassified based on new findings:

(\$millions)	As originally reported	As revised
Video	\$9,054	\$8,926

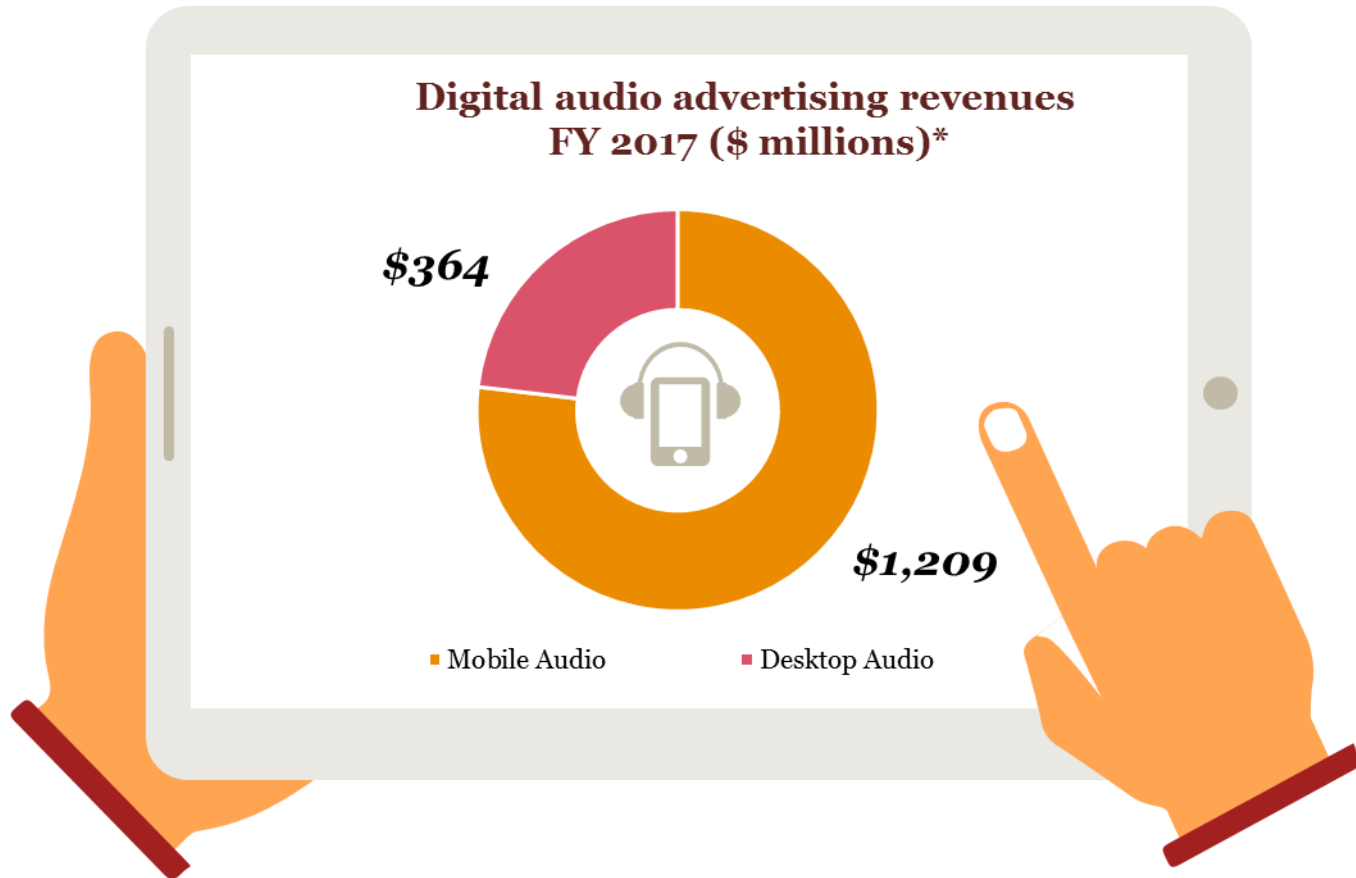
Social media's share of the pie increased

Social media ad revenues, 2012 – 2017



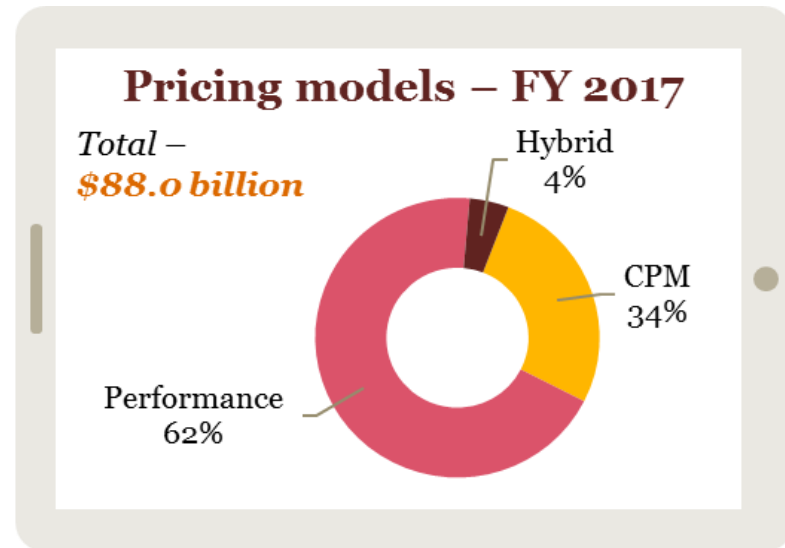
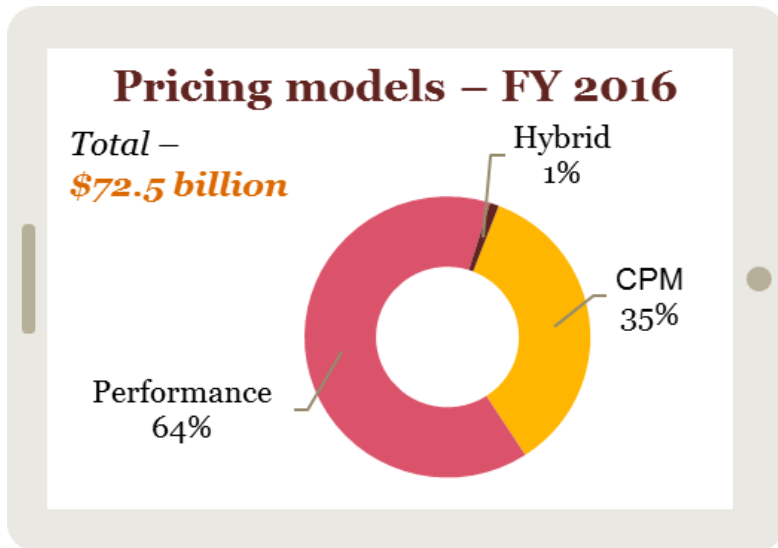
Over the past 5 years Social Media growth has had a CAGR of 50.1% resulting in a significant increased share of overall revenues – going from 8.0% to more than 25% in just six years.

In 2017, digital audio advertising revenue reached \$1.6 billion



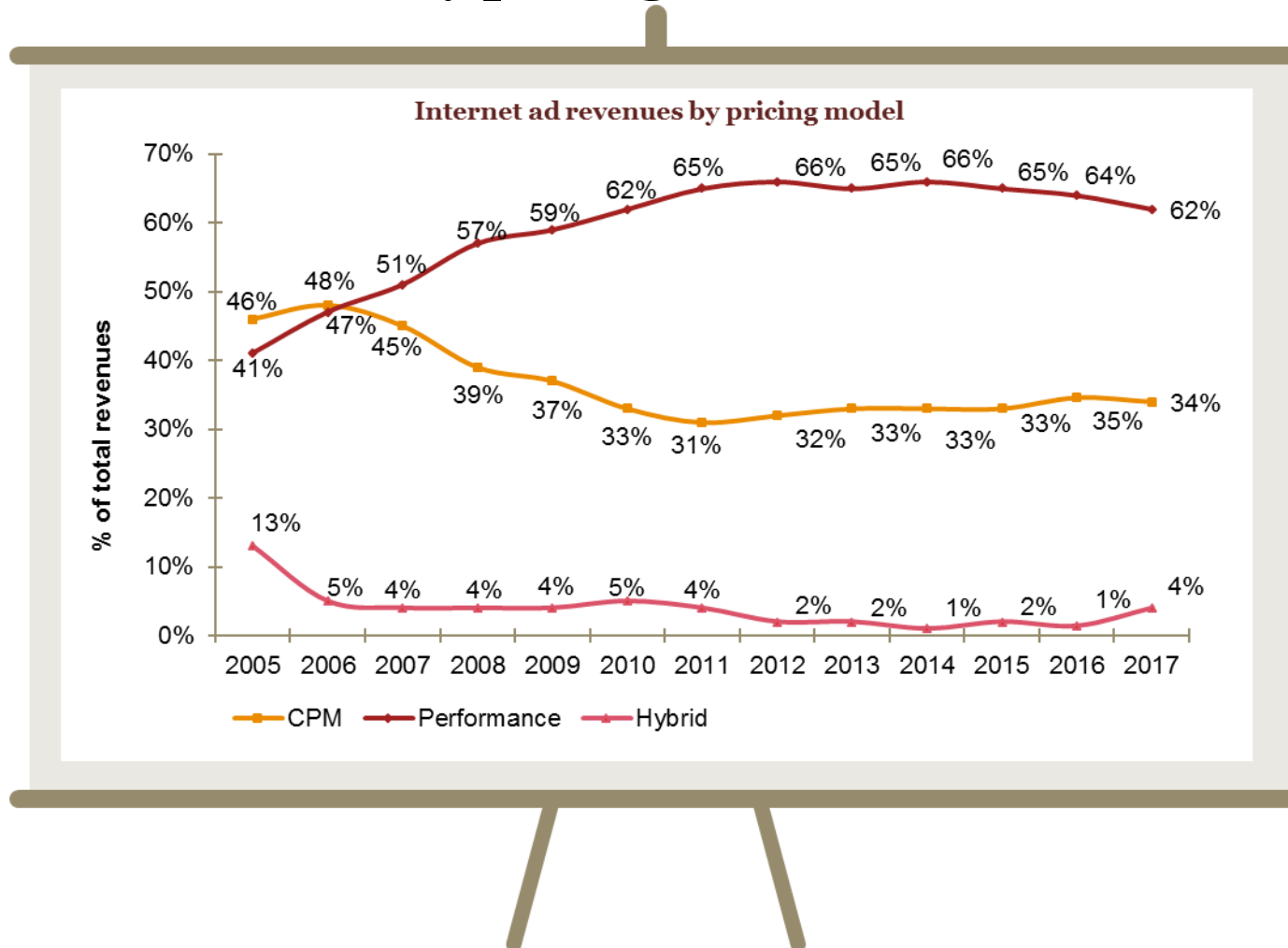
Ad revenues by pricing model, FY 2016 vs. FY 2017

Hybrid shows a large increase compared to other years



Historical pricing model trends

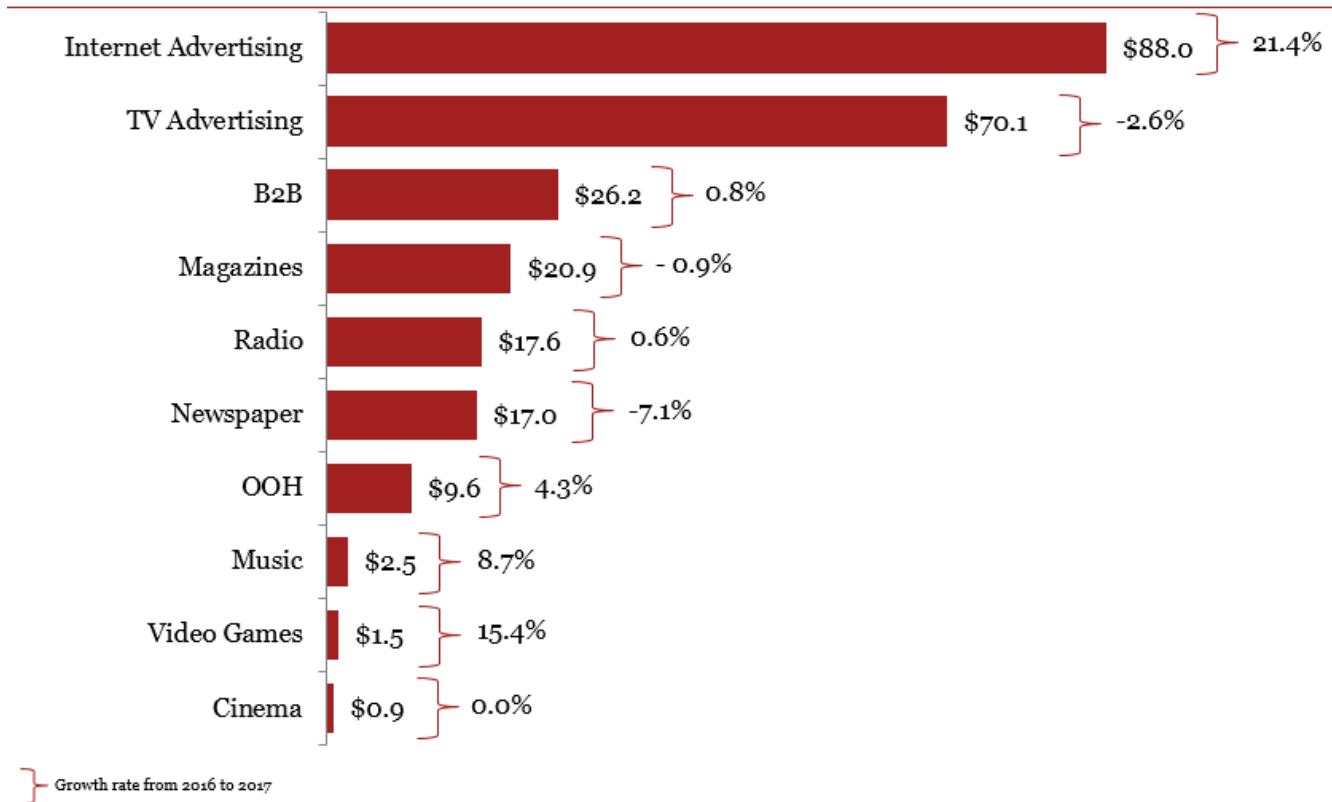
Internet ad revenues by pricing model, 2005-2017



Advertising market share by media

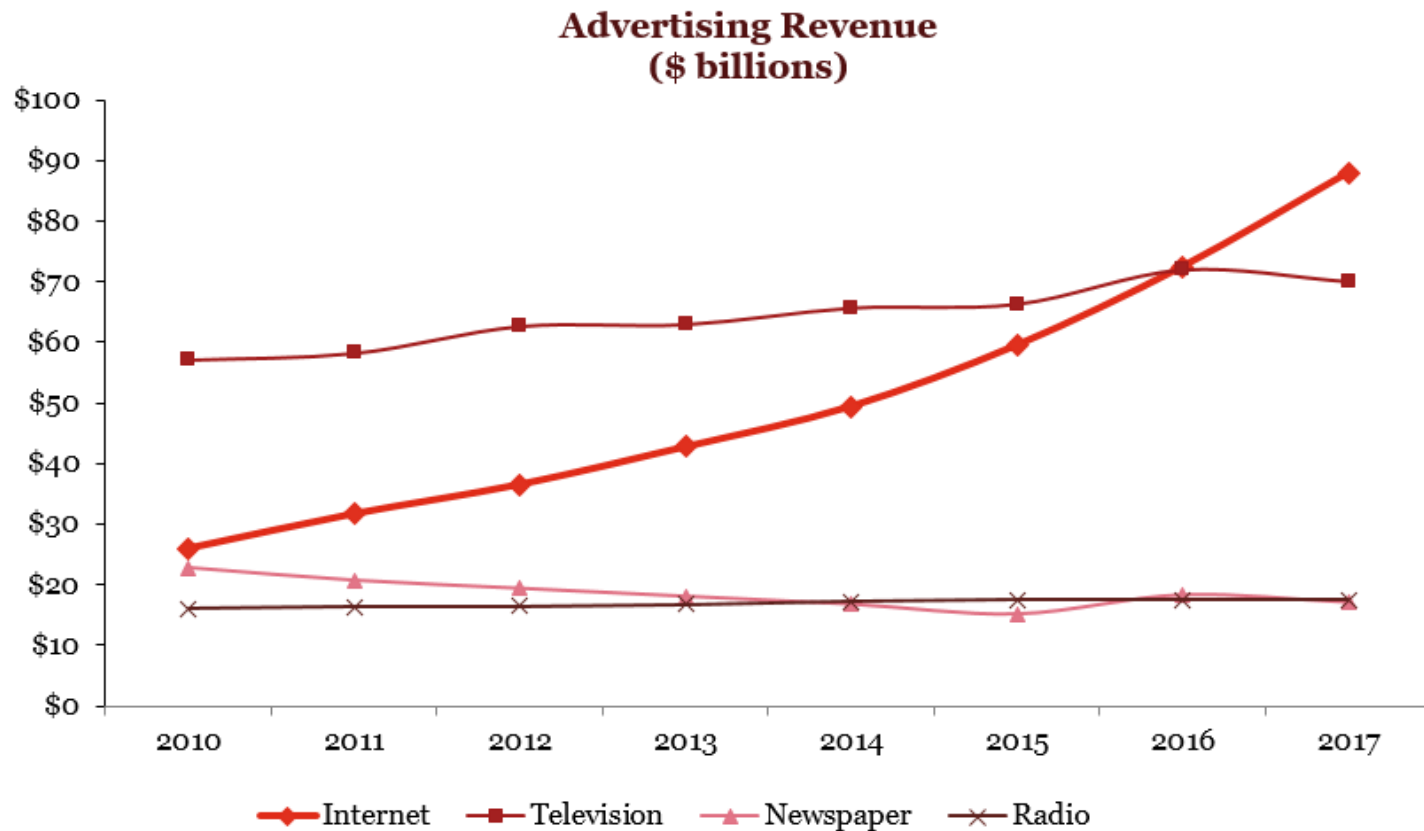
Internet advertising continued to be the leading source of advertising revenue in 2017

Advertising revenue market share by media – 2017 (\$ billions)



Historical advertising market share

Internet advertising extends its lead and market share, while television growth slows



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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