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Enabling advertising scalability
Full year and quarterly trends
Mobile trends
Advertising formats
Social media
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Advertising by media type
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**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
- Bandwidth
- Mobility
- F500 to SMBs
- Direct Brand Economy
- Voice-based systems

Lots of eyeballs (and ears)

Quarterly revenue growth trends 1996 – 2017
($ billions)

AR and VR
Full year revenues totaled $88.0 billion in 2017

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

Revenues for FY 2017 totalled $88.0 billion, $15.5 billion (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

2007 – 2017 ($ billions)

- Mobile
- Non-Mobile

15.3% Overall CAGR
71.4% Mobile CAGR

2007: $21.2
2008: $23.4
2009: $22.7
2010: $26.0
2011: $31.7
2012: $36.6
2013: $42.8
2014: $49.5
2015: $59.6
2016: $72.5
2017: $88.0

May 2018
Second half revenues reached $47.9 billion
Historical revenue mix, first half vs. second half

Over the past ten years, second half revenues averaged 53.6% of the annual total
Advertising formats – Q4 2017

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

*Other includes: “Classifieds,” “Local Generation,” “Audio,” and “Unspecified Other.”
**For the purposes of this study, minor categories have been excluded, resulting in a <1%o total.
***Certain prior year amounts have been reclassified based on new findings.

<table>
<thead>
<tr>
<th></th>
<th>Q4 2016</th>
<th>Q4 2017</th>
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<tbody>
<tr>
<td>Search</td>
<td>$19,000</td>
<td>$19,850</td>
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<tr>
<td>Banner</td>
<td>$7,021</td>
<td>$8,891</td>
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<tr>
<td>Video</td>
<td>$2,855</td>
<td>$2,766</td>
</tr>
<tr>
<td>Other</td>
<td>$1,743</td>
<td>$2,050</td>
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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: Classified, 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.

<table>
<thead>
<tr>
<th></th>
<th>As originally reported ($ millions)</th>
<th>As revised ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search</td>
<td>$14,160</td>
<td>$14,570</td>
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<tr>
<td>Banner</td>
<td>$22,625</td>
<td>$22,788</td>
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<tr>
<td>Video</td>
<td>$9,354</td>
<td>$9,325</td>
</tr>
<tr>
<td>Other</td>
<td>$5,362</td>
<td>$6,732</td>
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</table>
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

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May 2018
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.

<table>
<thead>
<tr>
<th>(Billions)</th>
<th>As originally reported</th>
<th>As revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Video</td>
<td>$9.05d</td>
<td>$9.02d</td>
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</table>
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

Pricing models – FY 2016
Total – $72.5 billion
- Performance 64%
- CPM 35%
- Hybrid 1%

Pricing models – FY 2017
Total – $88.0 billion
- Performance 62%
- CPM 34%
- Hybrid 4%
Historical pricing model trends
Internet ad revenues by pricing model, 2005-2017

Internet ad revenues by pricing model

% of total revenues


CPM Performance Hybrid

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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)

<table>
<thead>
<tr>
<th>Media</th>
<th>Revenue (billion)</th>
<th>Growth Rate</th>
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<tbody>
<tr>
<td>Internet Advertising</td>
<td>$88.0</td>
<td>21.4%</td>
</tr>
<tr>
<td>TV Advertising</td>
<td>$70.1</td>
<td>-2.6%</td>
</tr>
<tr>
<td>B2B</td>
<td>$26.2</td>
<td>0.8%</td>
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<tr>
<td>Magazines</td>
<td>$20.9</td>
<td>-0.9%</td>
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<tr>
<td>Radio</td>
<td>$17.6</td>
<td>0.6%</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$17.0</td>
<td>-7.1%</td>
</tr>
<tr>
<td>OOH</td>
<td>$9.6</td>
<td>4.3%</td>
</tr>
<tr>
<td>Music</td>
<td>$2.5</td>
<td>8.7%</td>
</tr>
<tr>
<td>Video Games</td>
<td>$1.5</td>
<td>15.4%</td>
</tr>
<tr>
<td>Cinema</td>
<td>$0.9</td>
<td>0.0%</td>
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</table>

Growth rates from 2016 to 2017
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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