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IAB internet advertising revenue report

2018 first six months results

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Survey Methodology

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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.

Half year revenues totaled $49.5 billion in 2018

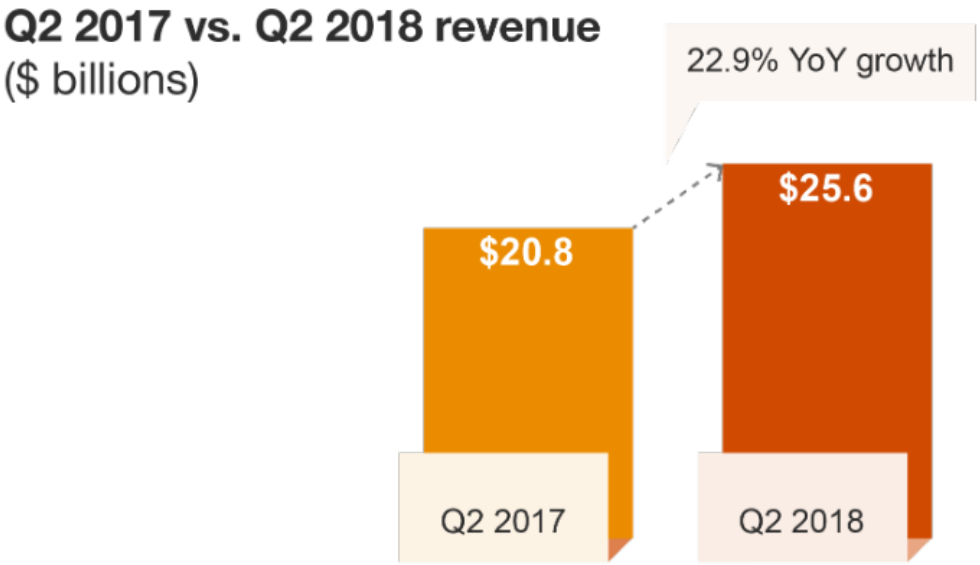
Revenues for HY 2018 were approximately $9.3 billion higher than in HY 2017

HY 2017 vs. HY 2018 revenue
($ billions)

* Digital audio advertising revenues have been revised for HY 2016 and HY 2017 to include Podcast advertising

Source: IAB/PwC Internet Ad Revenue Report, HY 2018

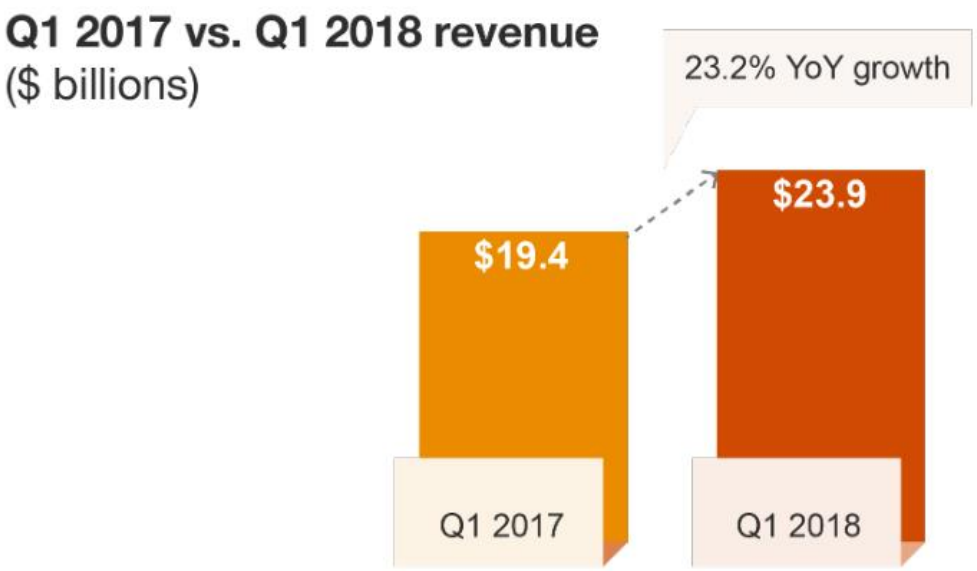
2018 second quarter revenues totaled $25.6 billion



Source: IAB/PwC Internet Ad Revenue Report, HY 2018

Revenue in Q2 2018 was $4.8 billion higher than in Q2 2017

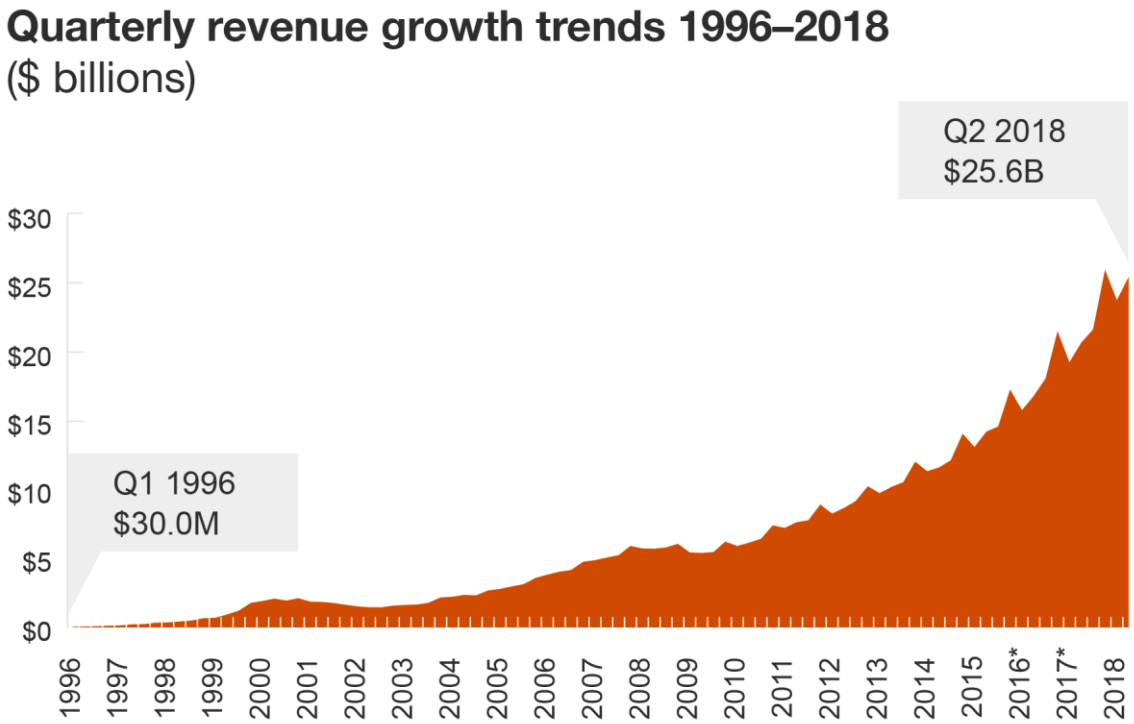
Strong growth between Q1 2017 and Q1 2018



Source: IAB/PwC Internet Ad Revenue Report, HY 2018

Revenue in Q1 2018 was $4.5 billion higher than in Q1 2017

Quarterly growth continued its upward trend reaching $25.6 billion in Q2 2018

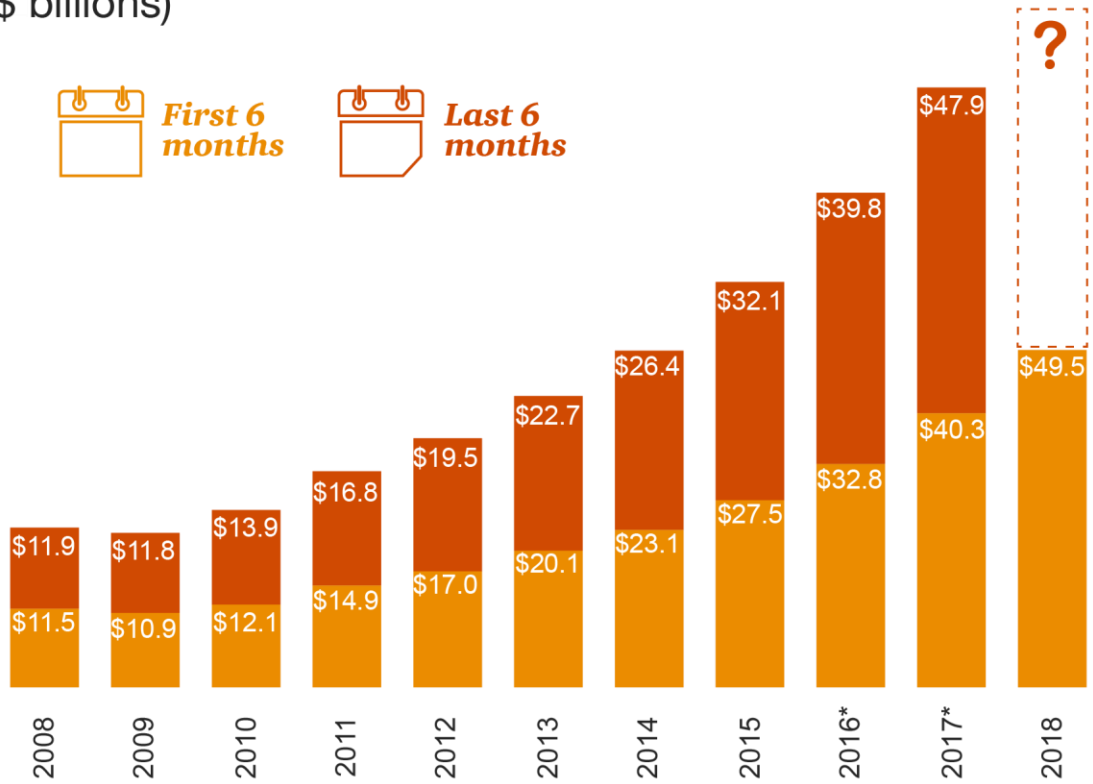


* Digital audio advertising revenues have been revised for HY 2016 and HY 2017 to include Podcast advertising

Source: IAB/PwC Internet Ad Revenue Report, HY 2018

First half revenues soar to $49.5 billion

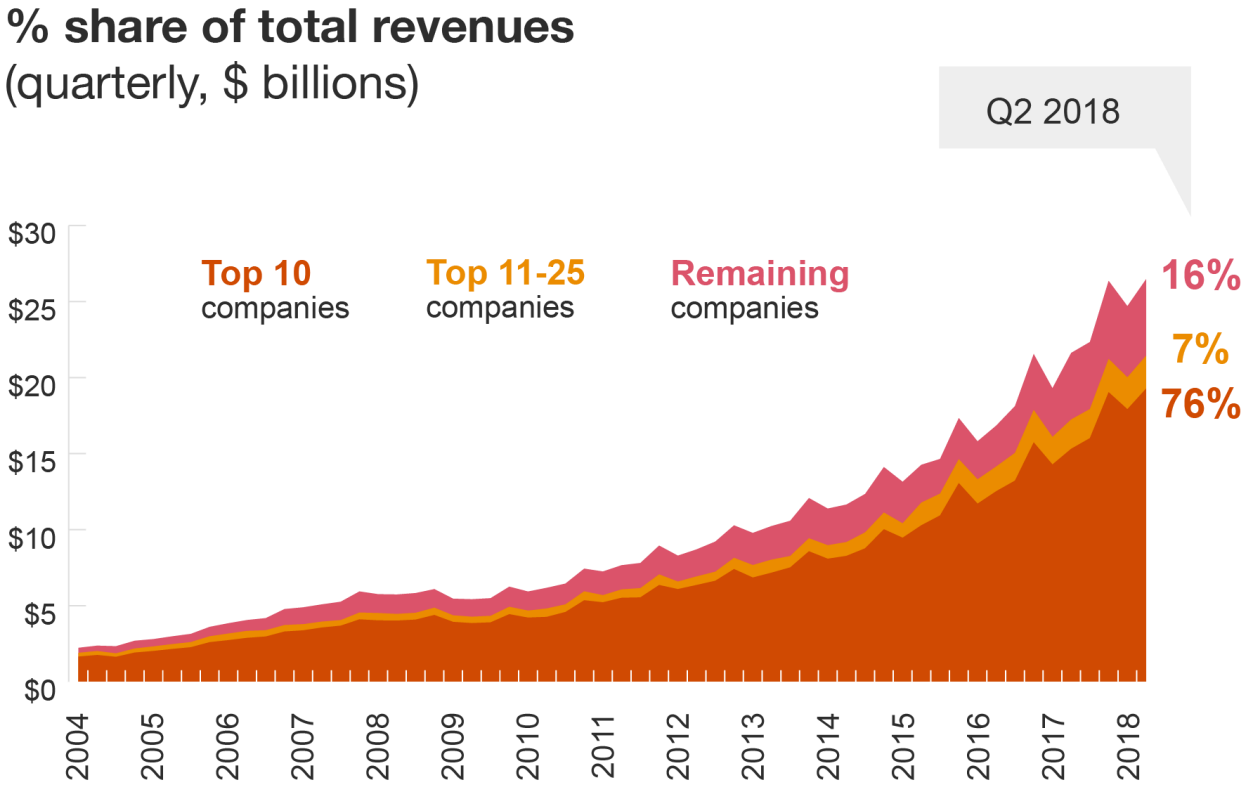
Historical revenue mix, first half vs. second half
($ billions)



* Digital audio advertising revenues have been revised for HY 2016 and HY 2017 to include Podcast advertising.

Source: IAB/PwC Internet Ad Revenue Report, HY 2018

Top 10 companies commanded 76% of revenues in Q2 2018

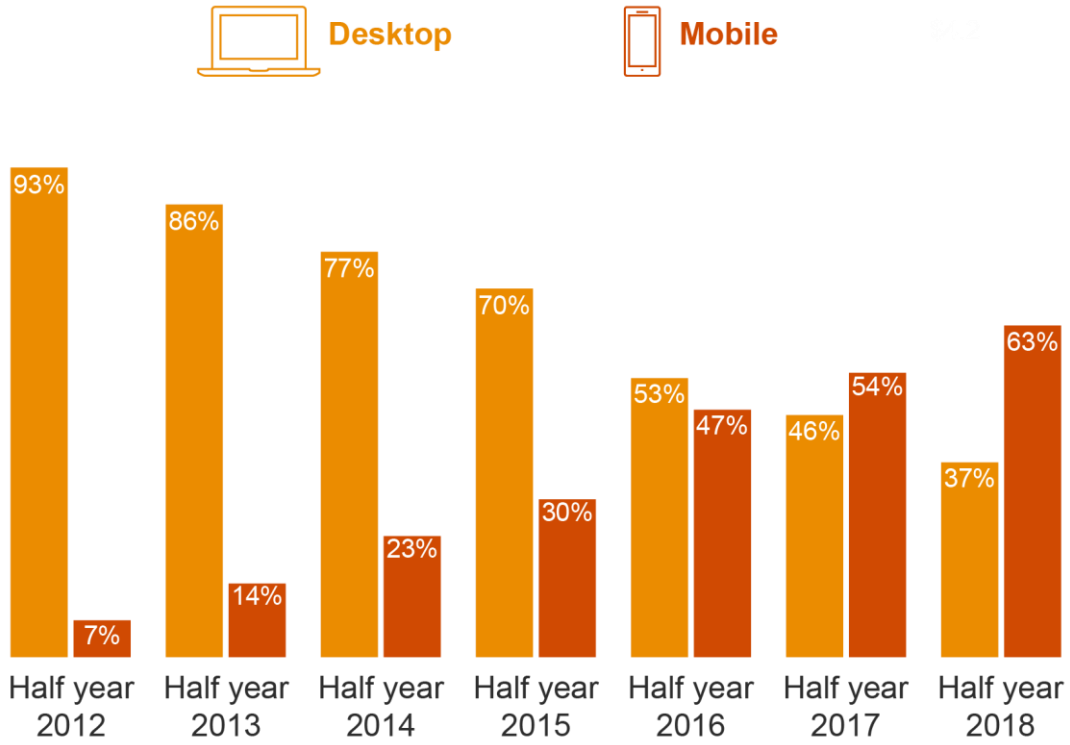


Note: Totals may not equal 100% due to rounding.

Source: IAB/PwC Internet Ad Revenue Report, HY 2018

Mobile reigns as the leading ad device capturing 63% from overall digital advertising revenues

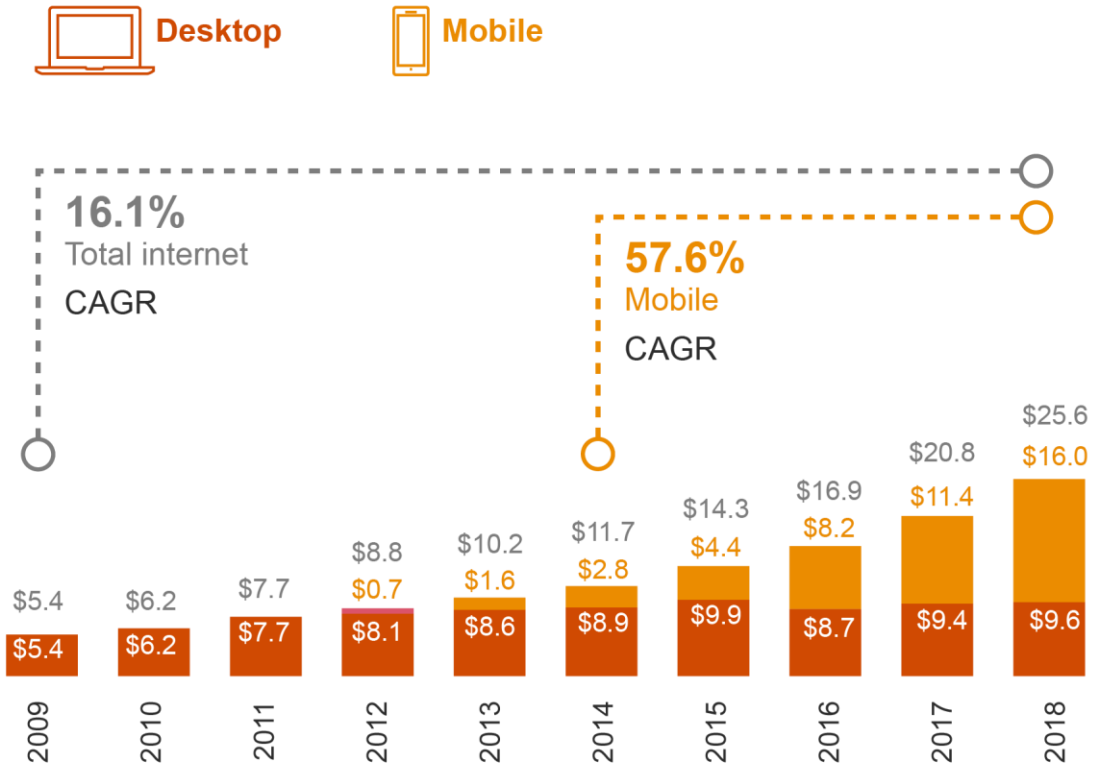
Historical desktop vs. mobile trends, half year results
($ billions)



Source: IAB/PwC Internet Ad Revenue Report, HY 2018

Mobile growth is driving the overall industry compound annual growth rate

Desktop vs. mobile internet advertising revenue
(Second quarter results, $ billions)

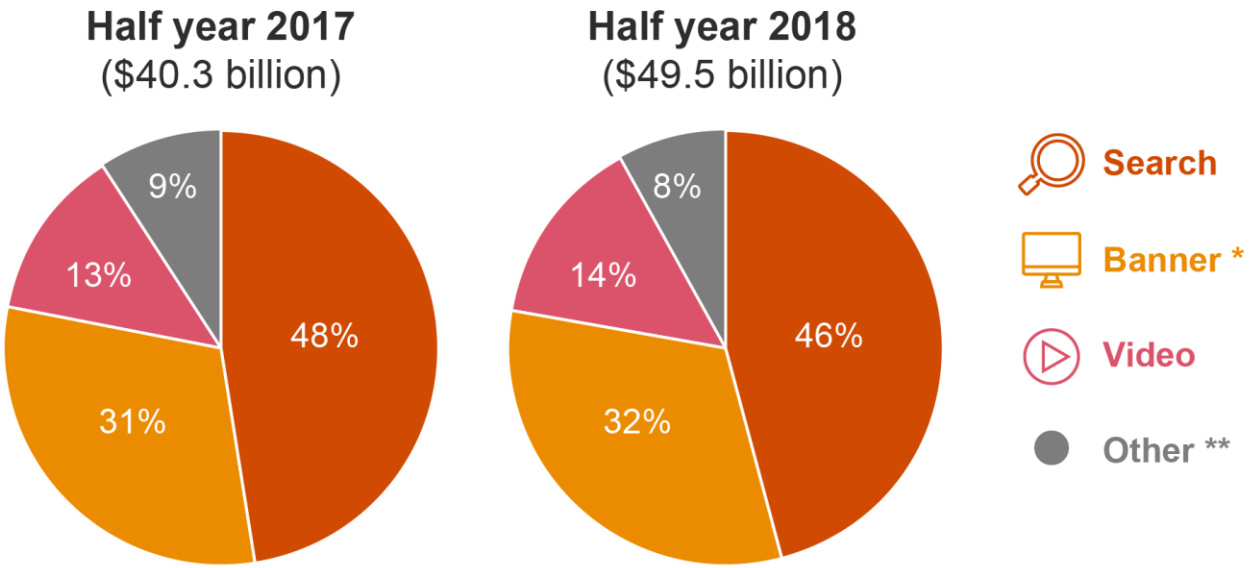


Source: IAB/PwC Internet Ad Revenue Report, HY 2018

CAGR: Compound Annual Growth Rate

Digital video advertising revenue had the largest growth at 34.8% in the first 6 months of 2018

Advertising format revenue, half year results

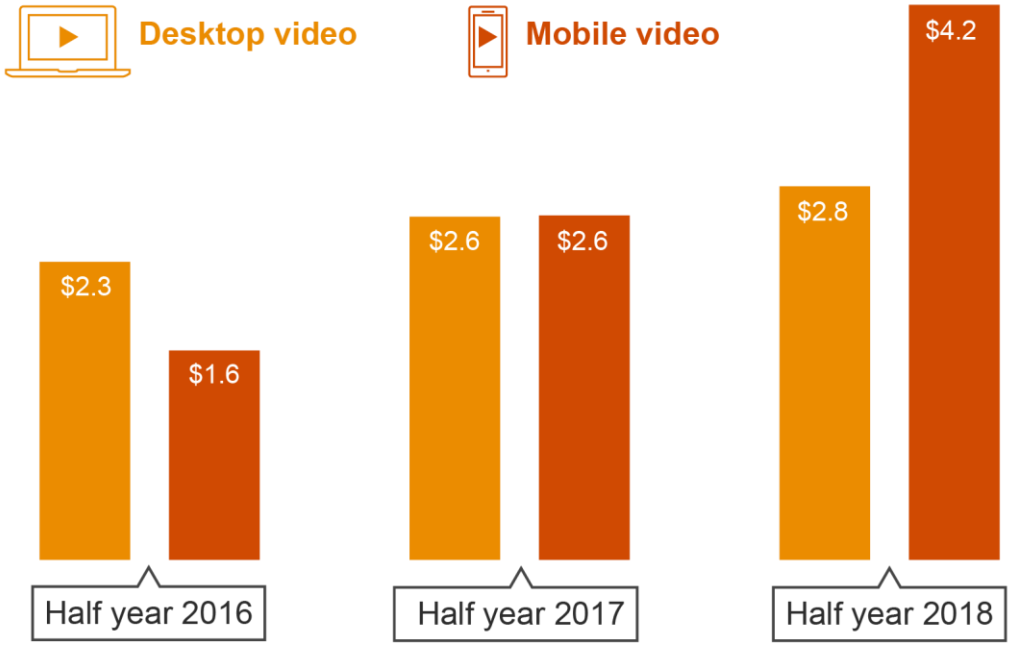


* Banner includes: Ad Banners/Display, Rich Media, and Sponsorship.
** Other includes: Classifieds, Lead Generation, Audio, and Unspecified.
Note: Totals may not equal 100% due to rounding.

Source: IAB/PwC Internet Ad Revenue Report, HY 2018

Digital video continued to serve as a key growth driver in mobile and desktop in HY 2018

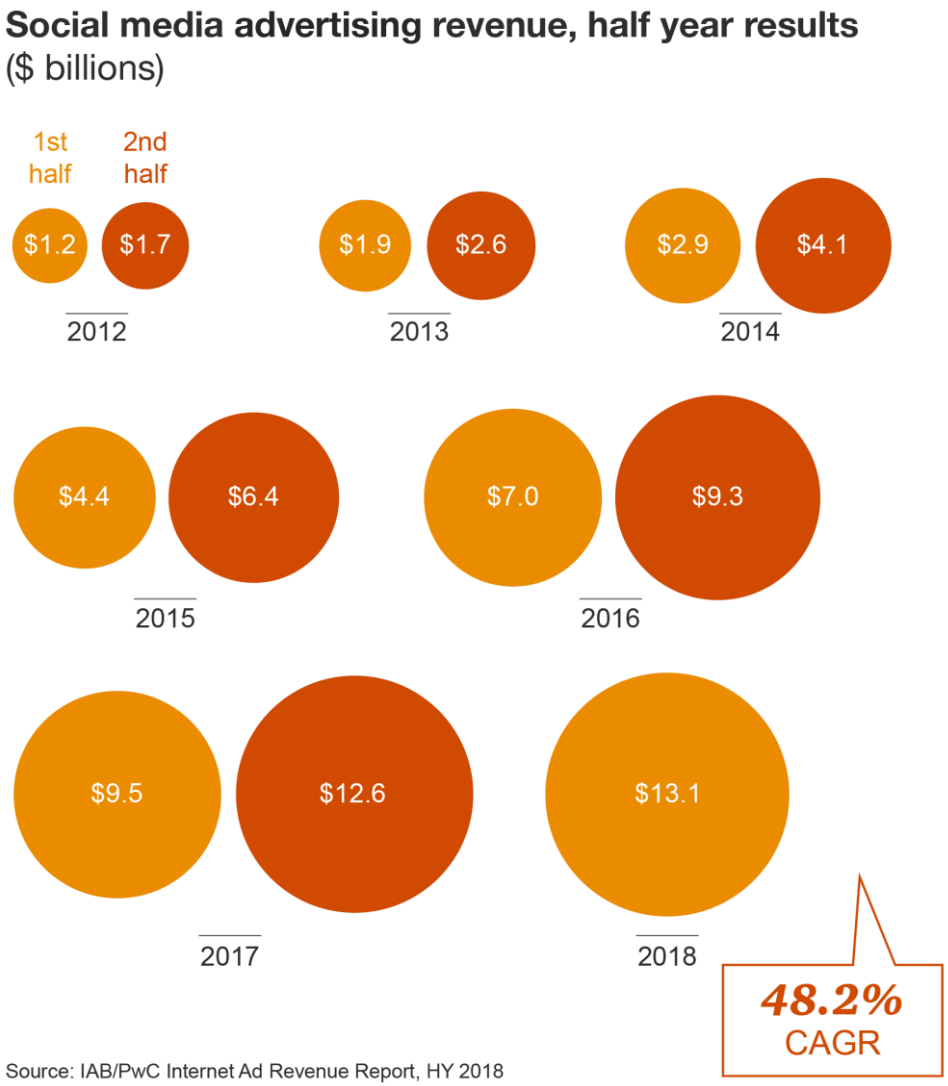
Historical digital video revenues, half year results
($ billions)



Source: IAB/PwC Internet Ad Revenue Report, HY 2018

Total digital video, including mobile and desktop, rose to $7.0 billion in HY 2018

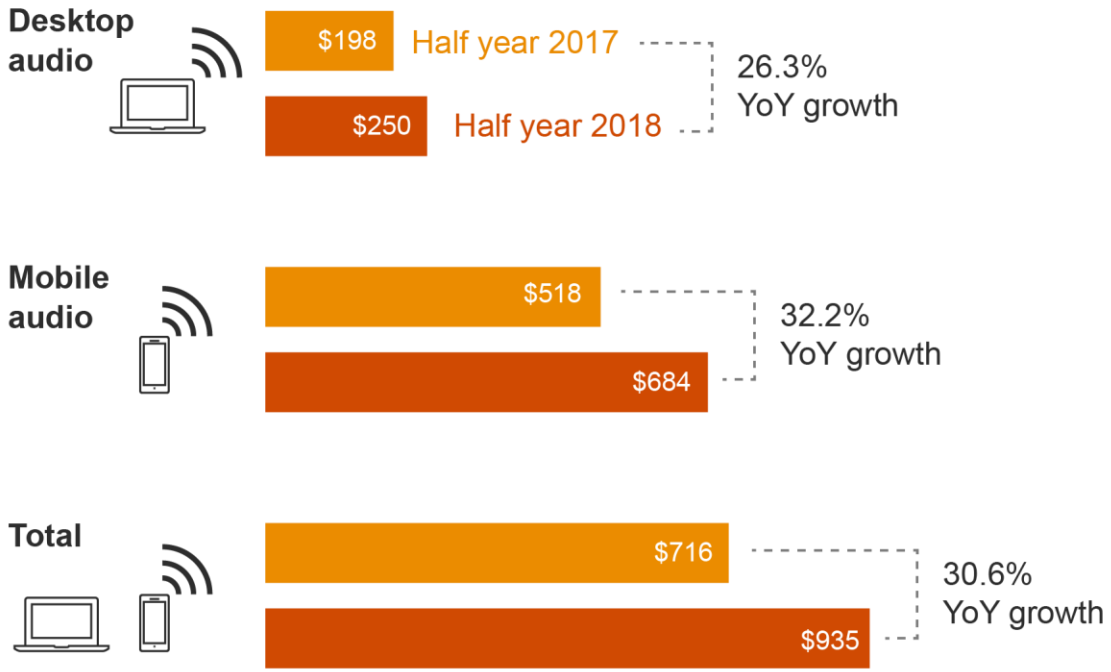
Social media advertising revenue in the first 6 months of 2018 was up 37.5% from half year 2017



Source: IAB/PwC Internet Ad Revenue Report, HY 2018
CAGR: Compound Annual Growth Rate

The first six months of 2018 saw $935 million in digital audio advertising revenue

Digital audio advertising revenue, half year results
($ millions)

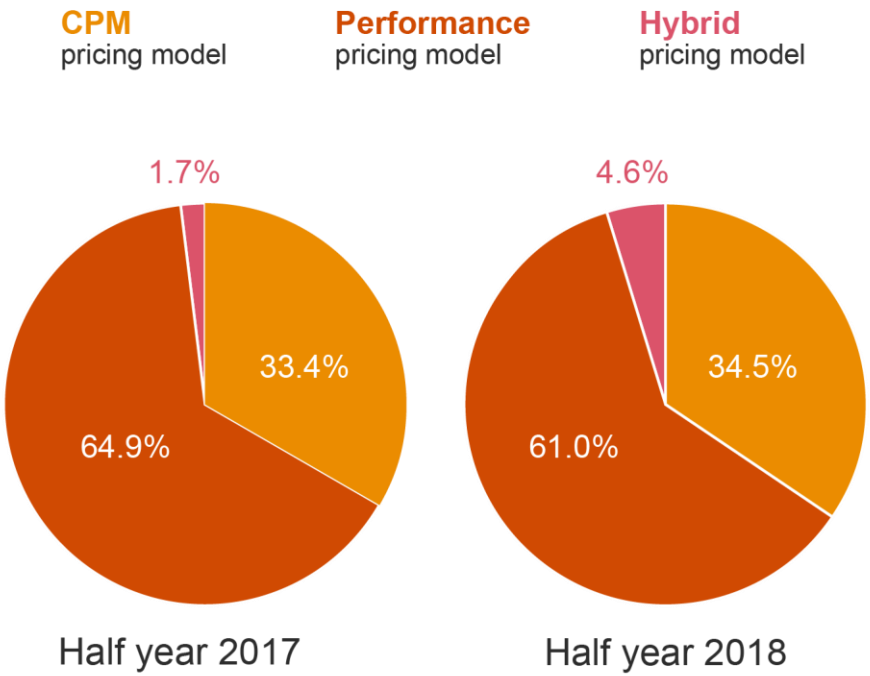


Digital audio advertising revenues have been revised for HY 2016 and HY 2017 to include Podcast advertising.

Source: IAB/PwC Internet Ad Revenue Report, HY 2018

A portion of the CPM pricing model shifted to the hybrid model

Revenue by pricing model, half year basis
($ billions)

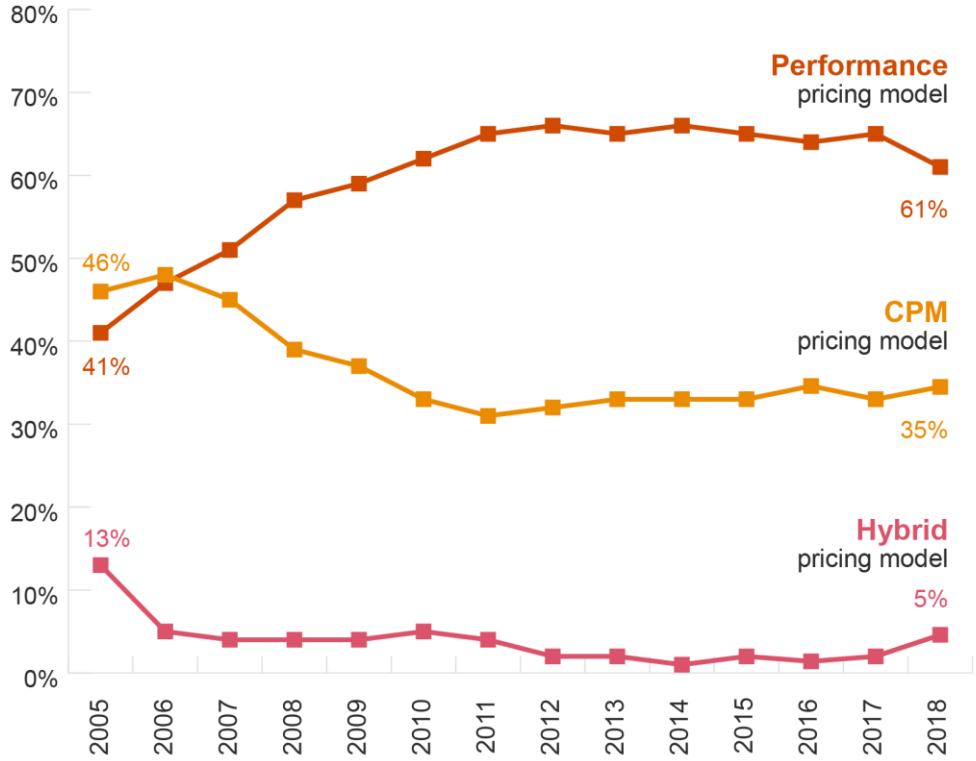


Note: Totals may not equal 100% due to rounding.

Source: IAB/PwC Internet Ad Revenue Report, HY 2018

Hybrid pricing saw significant growth in HY 18

Internet advertising revenue by pricing model,*
2005-2018 (% of total revenue)



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

Note: Totals may not equal 100% due to rounding.

Source: IAB/PwC Internet Ad Revenue Report, HY 2018

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
- 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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