

Internet Advertising Revenue Report

2020 full year results

Topline presentation for 4/7/21 IAB webinar

Please refer to full report for details:

<https://www.iab.com/insights/internet-advertising-revenue-report/>

Prepared by:

The IAB logo, consisting of the lowercase letters "iab." in a white, bold, sans-serif font, set against a red background with abstract, glowing light patterns.

Agenda

- Survey methodology
- Full year results and quarterly trends
- Advertising formats

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
- Ensuring and maintaining a confidential process, only releasing aggregate data

Methodology

Throughout the reporting process, PwC:

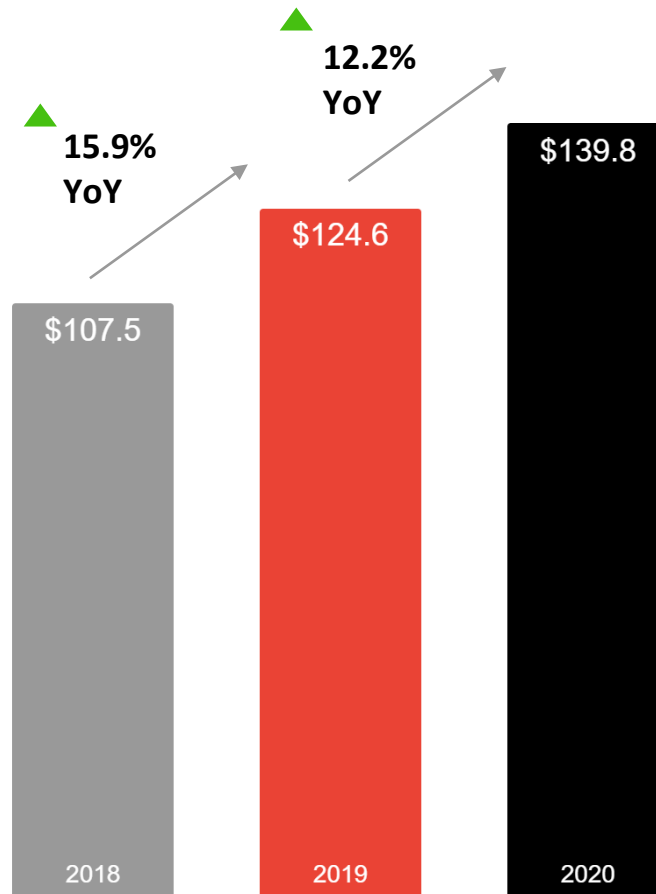
- Compiles a database of industry participants selling internet advertising revenues
- Conducts a quantitative web-based survey with leading industry players, including web publishers, ad networks, commercial online service providers, mobile providers, and other online media companies
- Requests and compiles several specific data items, including monthly gross commissionable advertising revenue by 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



Full year results & quarterly trends

Pace of growth remains relatively strong despite impacts of COVID-19

Three Year (FY2018 – FY2020) Internet Advertising Revenue Trend
(\$ billions)

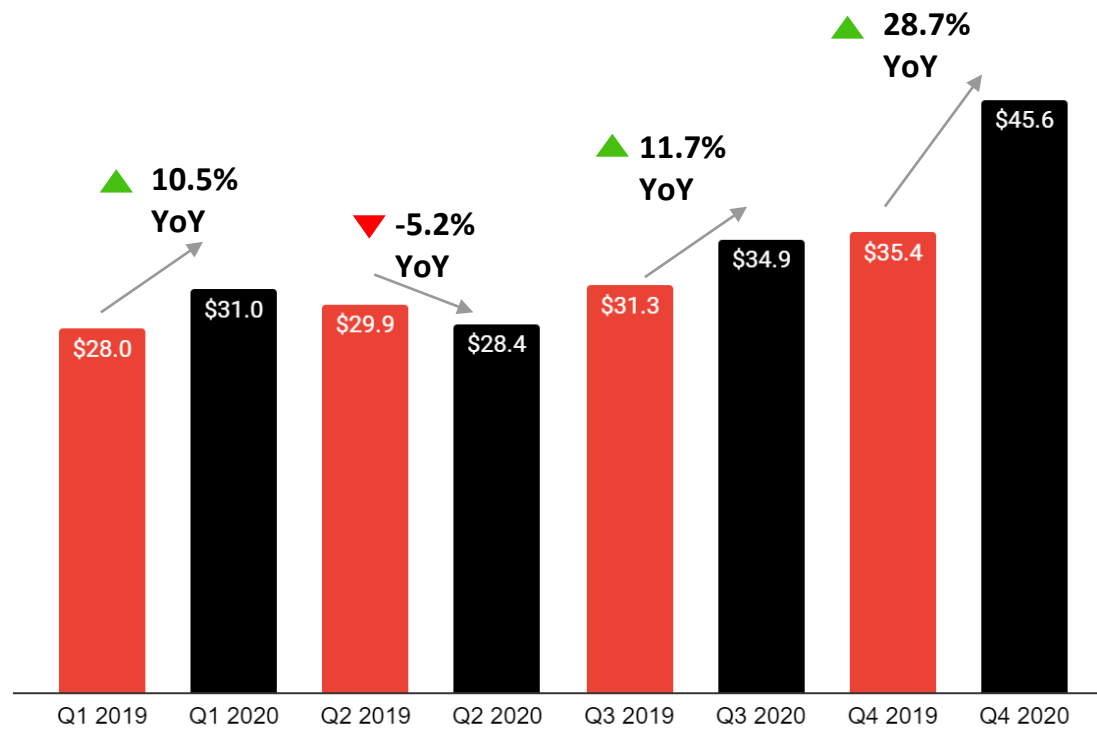


While there continues to be strong, **double-digit growth** in overall internet advertising revenues between 2019 and 2020, a slower pace of growth at 12.2% YoY is not surprising given the impact of COVID-19.

COVID's impact is evident in Q2 but recovery is impressive in the second half

With many U.S. states issuing stay-at-home orders at the end of Q1 2020 and U.S. GDP falling sharply, it's not surprising that Q2 saw the biggest hit in revenue due to COVID-19, which recorded a negative growth rate of 5.2%.

FY 2019 vs FY 2020 quarterly internet advertising revenues
(\$ billions)



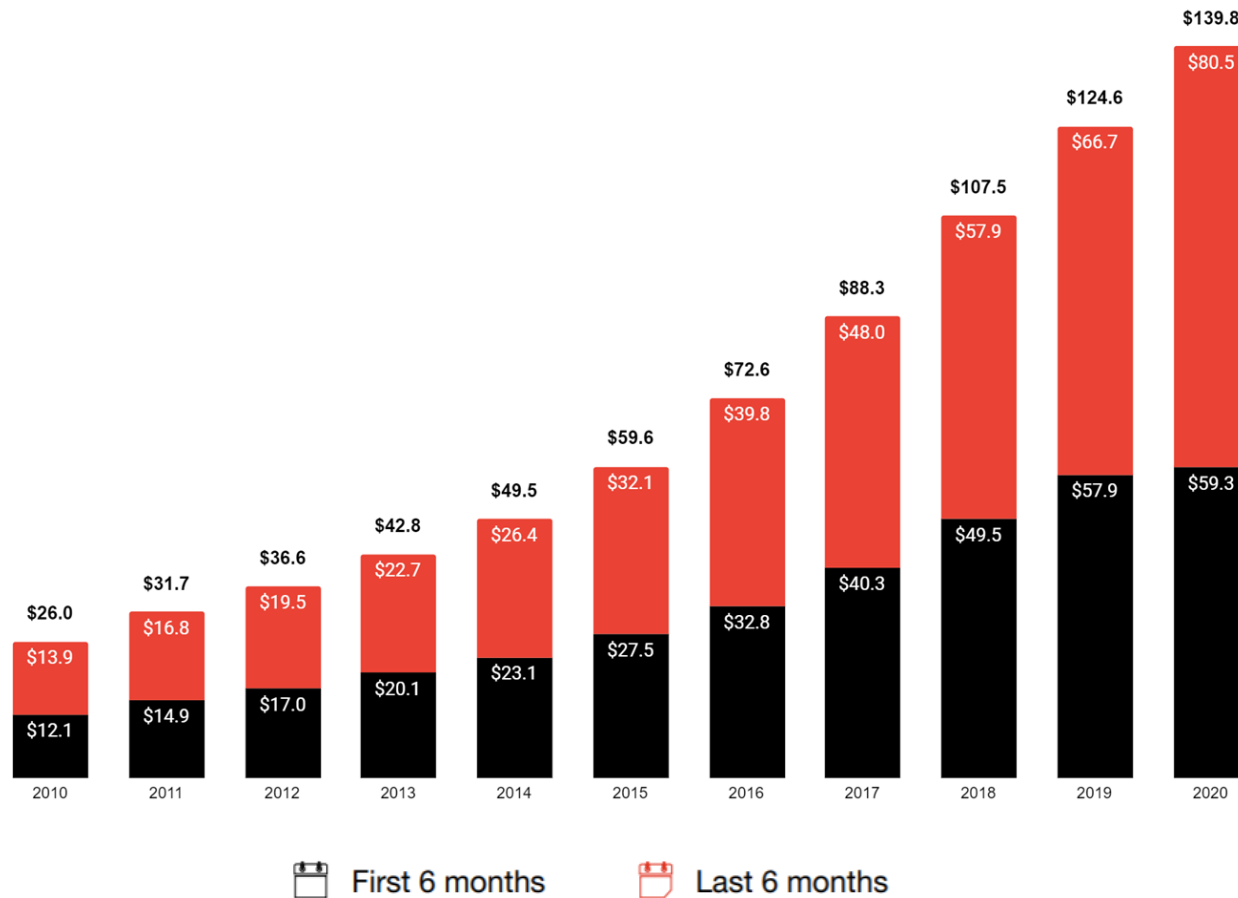
Though there were significant fluctuations in quarterly growth throughout the year, revenues rebounded solidly in the second half to a healthy \$80.5 billion.

Source: IAB/PwC Internet Ad Revenue Report, FY 2020

Overall, H1 revenues were similar to last year but a busy H2 led to growth

Performance across the last six months is almost entirely the reason for 2020's overall revenue growth.

Historical revenue mix, first half vs second half (2010 - 2020)
(\$ billions)

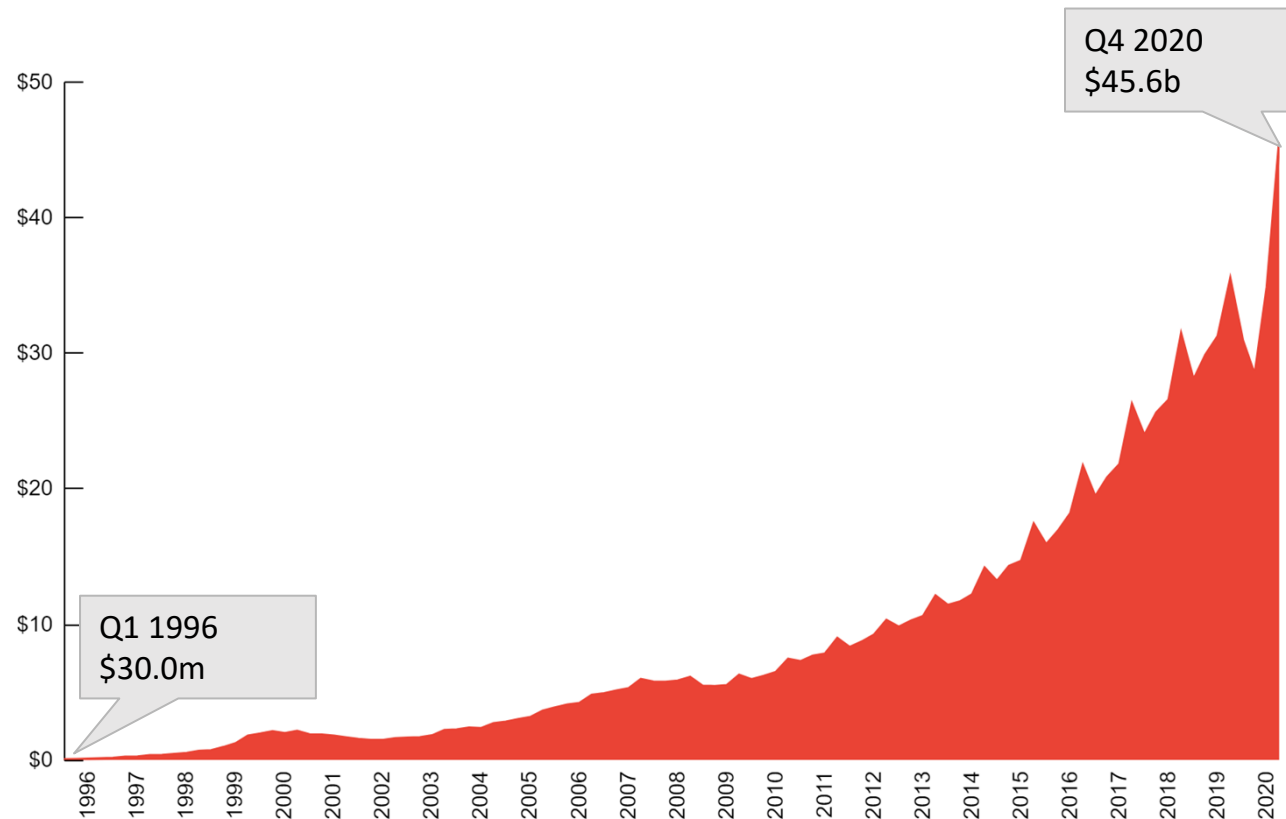


Advertising revenues during the second half of 2020 accounted for 58% of the year's total revenue.

Q4 recovery means revenue growth continues to follow a strong trajectory

Political and holiday advertising spend combined to deliver the highest Q4 revenue figures to date and helped reduce the impact of COVID-19 on internet advertising revenue earlier in the year.

Quarterly internet advertising revenue growth trends (1996-2020)
(\$ billions)



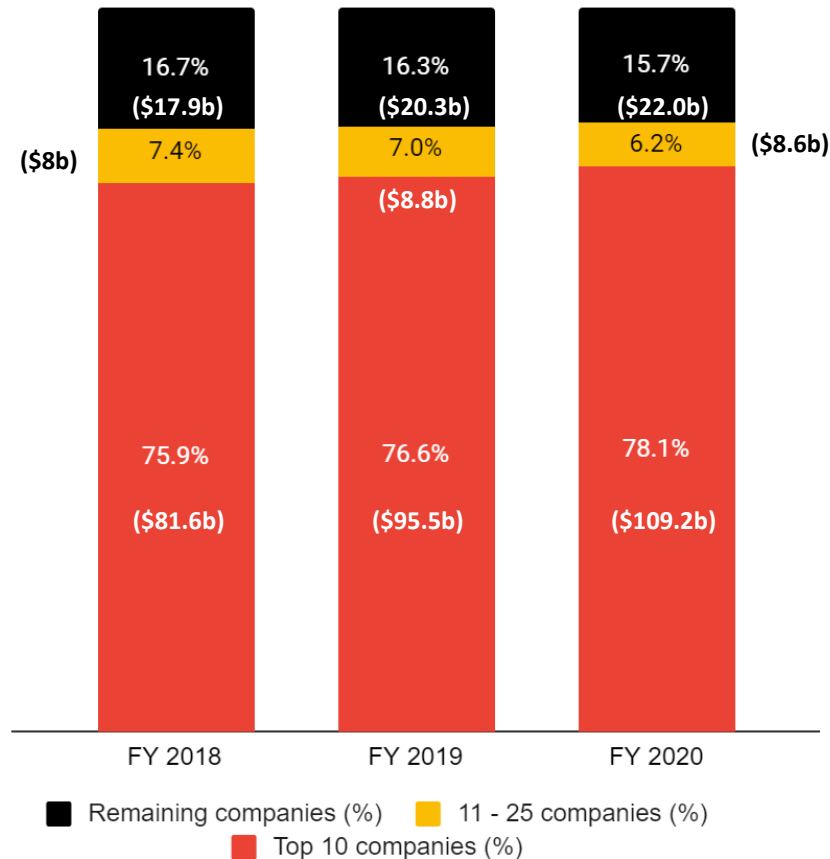
Ad revenues in Q4 were the highest to date, reaching \$45.6 billion

Source: IAB/PwC Internet Ad Revenue Report, FY 2020

The Top 10 have increased their revenue share

Companies outside of the top 10 made up 21.9% market share in 2020, down from 24.1% in 2018.

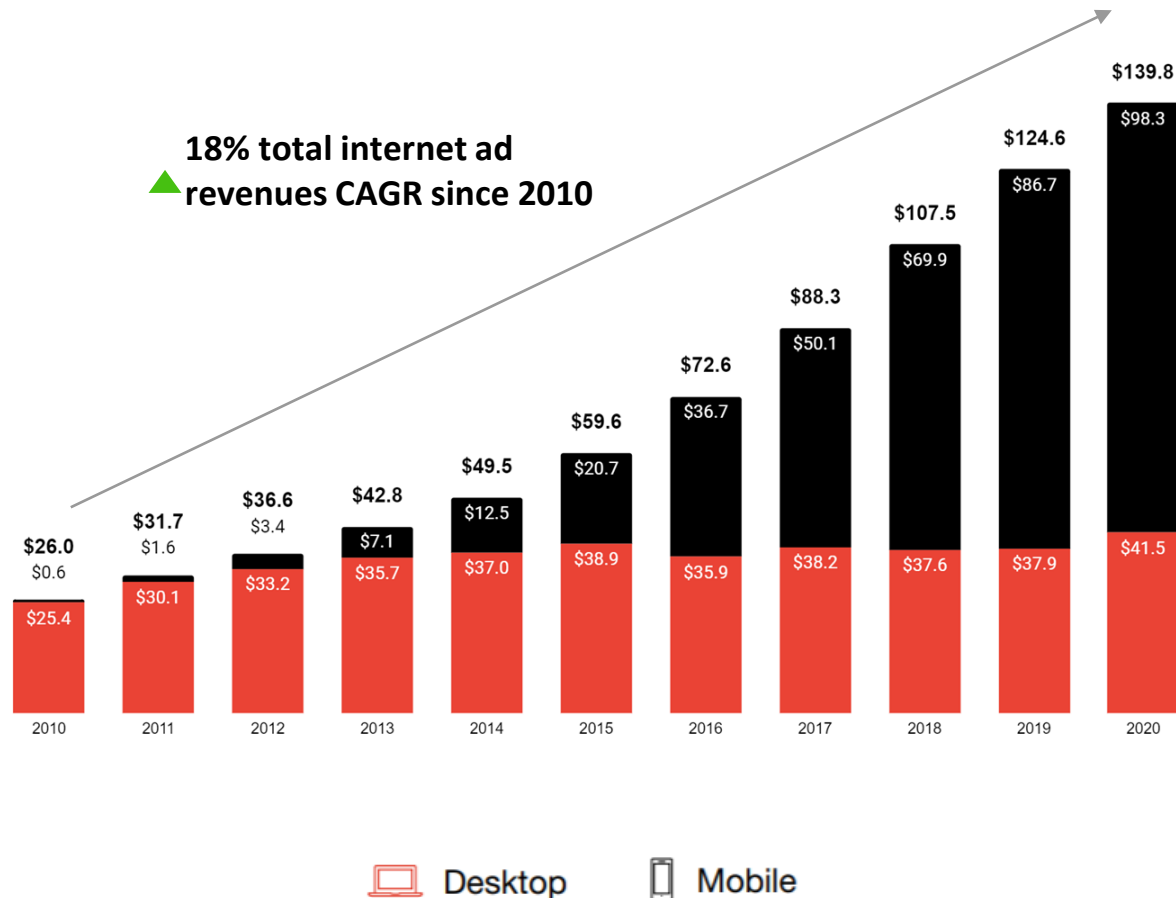
FY 2018 vs FY 2019 vs FY 2020 internet advertising revenue concentration
(\$ billions)



Overall advertising revenues for the top 10 companies exceed \$100 billion.

Mobile revenues continue to grow and Desktop exceed \$40B for the first time

Desktop vs. mobile full-year internet ad revenues (2010-2020)
(\$ billions)



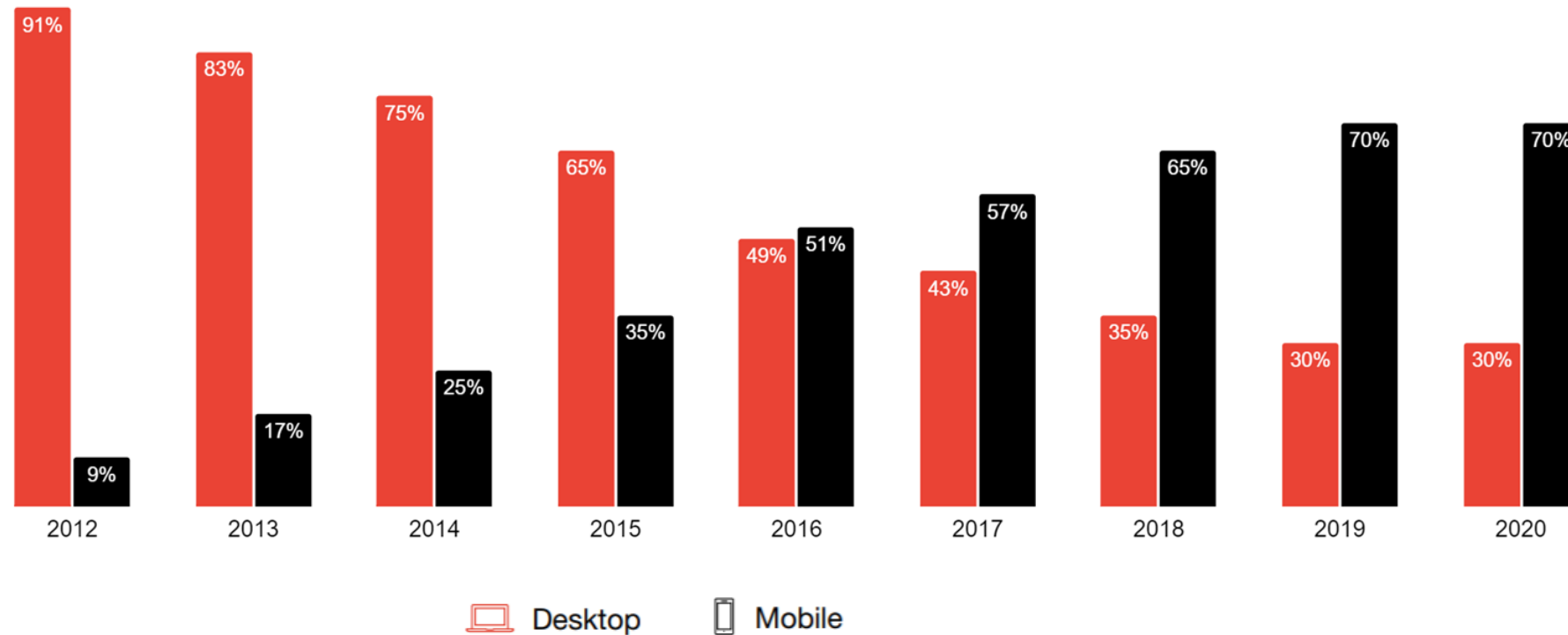
Total internet advertising revenues have seen a compound annual growth rate (CAGR) since 2010 of 18% (a slight drop from 19% when measured between 2010-2019). Mobile CAGR over the same period is 66.5% (a drop from 73.8% between 2010-2019), while desktop growth remains modest at 4.6% CAGR.

2020 marked the first time Desktop vs. Mobile revenue share split plateau

It remains to be seen whether this leveling off occurs for one year only, as a result of the pandemic, or whether it's the start of more stability in revenues across devices.

Historical desktop vs. mobile trends, full-year results (2012-2020)

(\$ billions)



\$7 out of every \$10 in advertising are mobile.

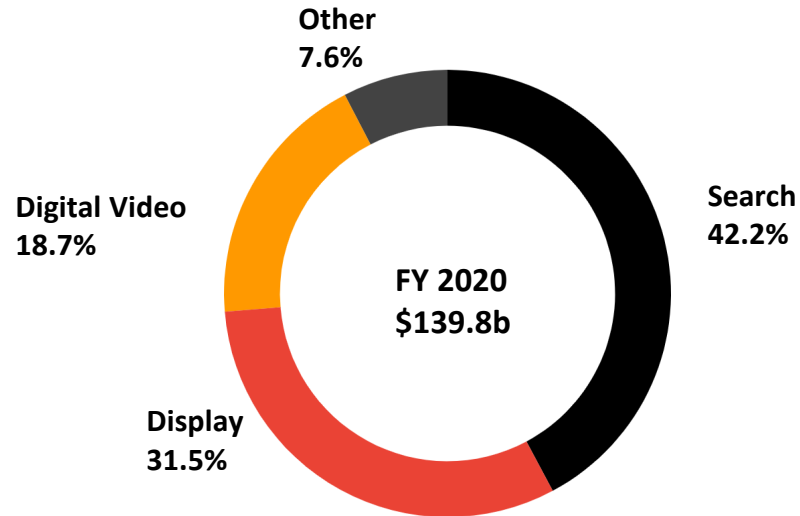
Source: IAB/PwC Internet Ad Revenue Report, FY 2020



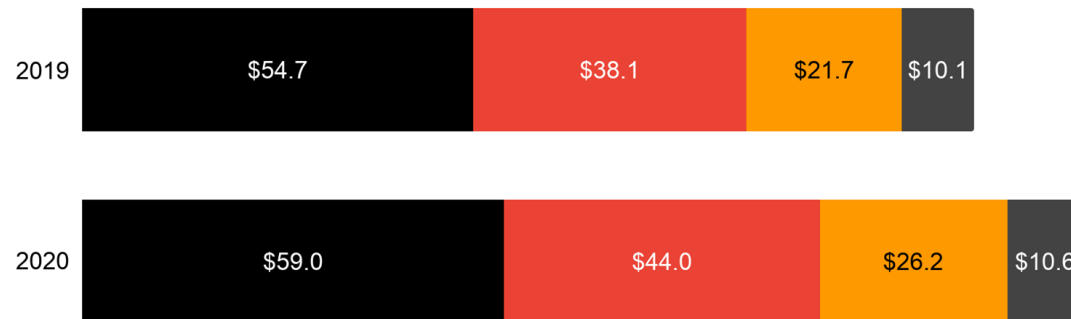
Advertising formats

FY 2020 format results

2020 advertising format by share
(% share)



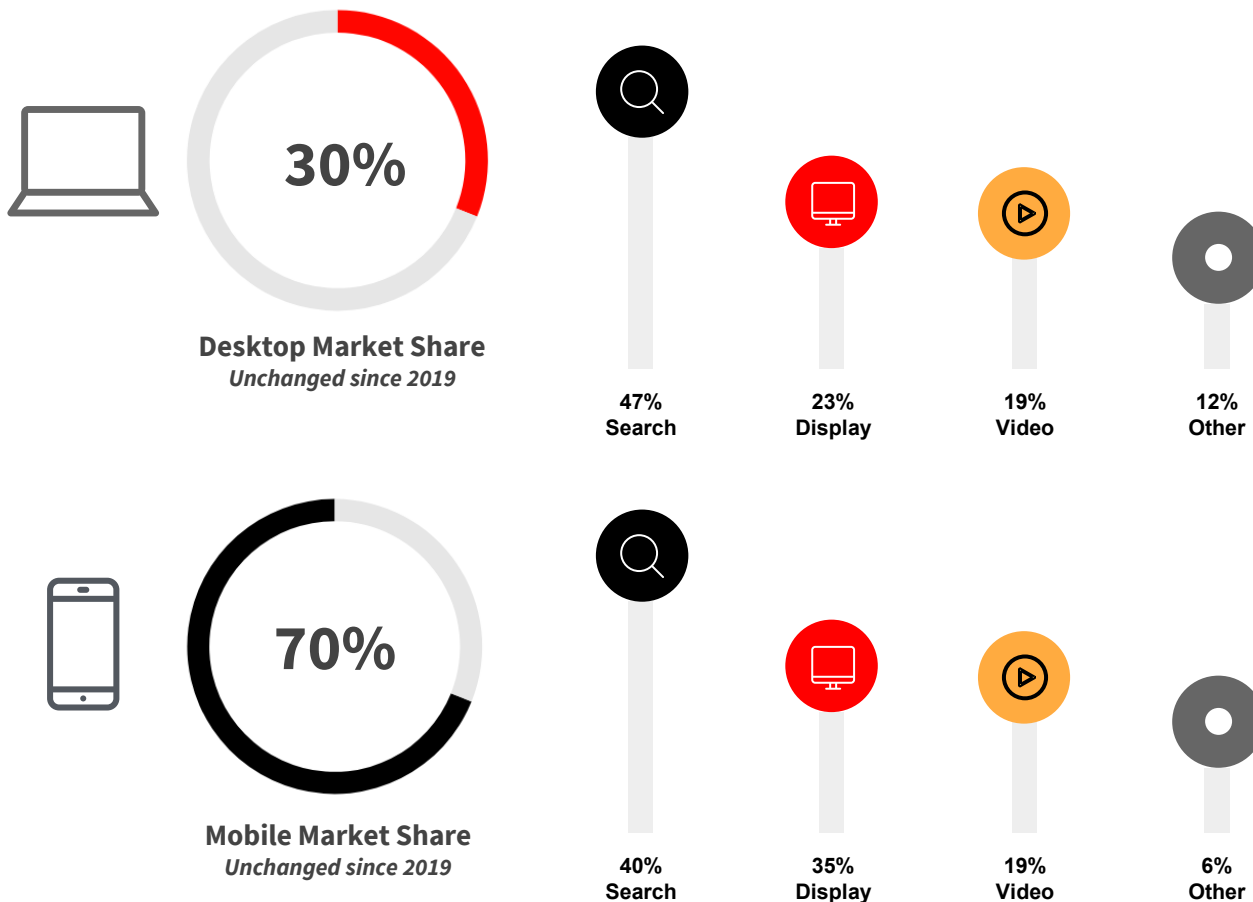
2019 vs 2020 advertising format by revenue



While all formats saw an increase in revenue, Digital Video experienced the most growth during the year, with a 20.6% increase in revenue and a 1.3% increase in share.

Video revenue on mobile experience the strongest growth across formats

Full year format share, mobile vs. desktop (2020)
(\$ billions)

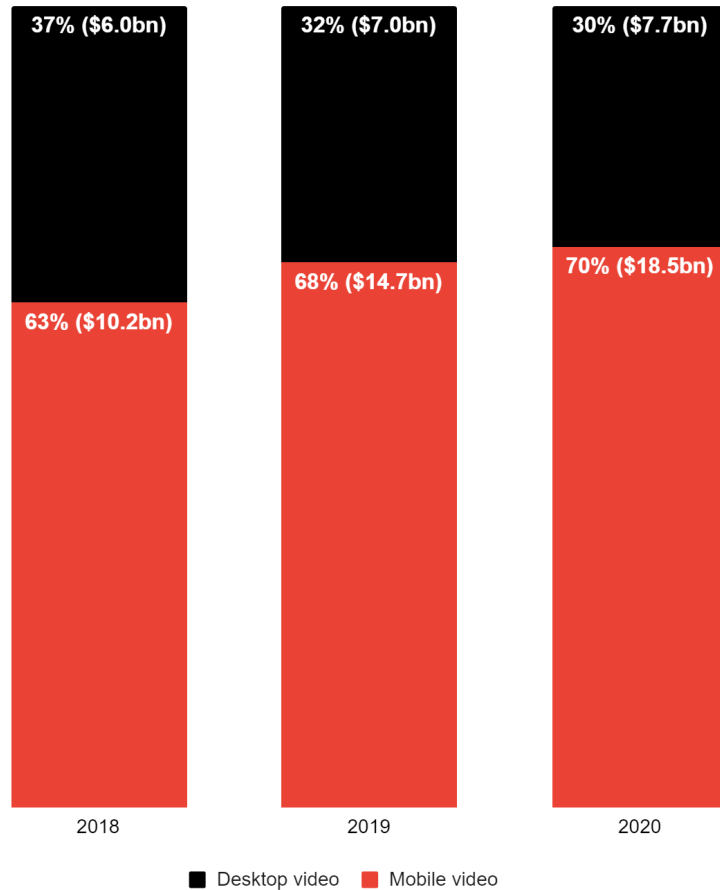


Despite desktop's highest recorded internet advertising revenue in over 10 years

\$7 out of every \$10 continues to be derived from a mobile device (smartphone or tablet)

Digital video share of total revenues climbs on mobile devices

Digital video revenues, full year results (2018-2020)
(\$ billions)



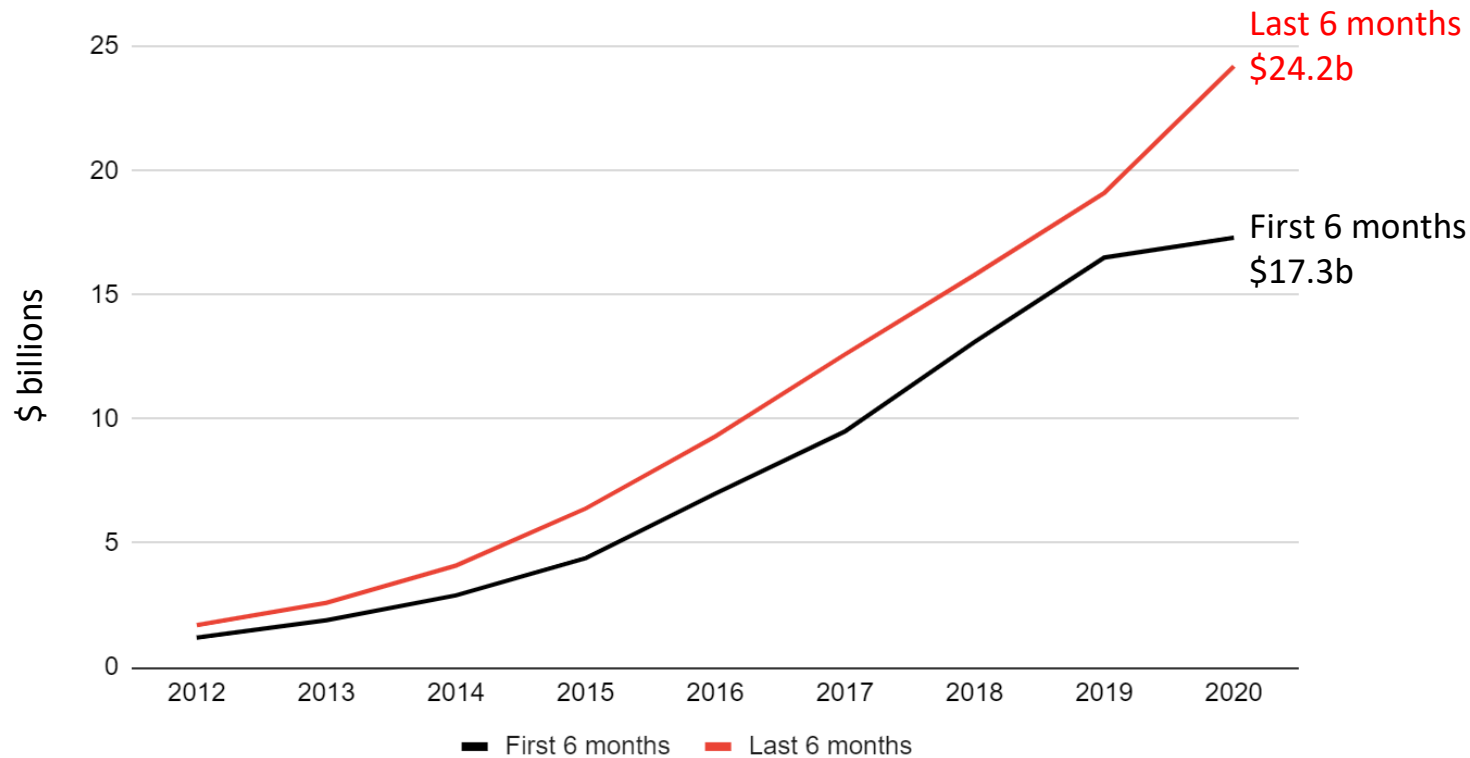
Total digital video advertising revenue **increased 20.6%** with mobile accounting for the majority of that growth



Social media

Social media revenues continued its climb to take up 30% of total ad revenues

Social media advertising revenues, full year results (2012 - 2020)
(\$ billions)



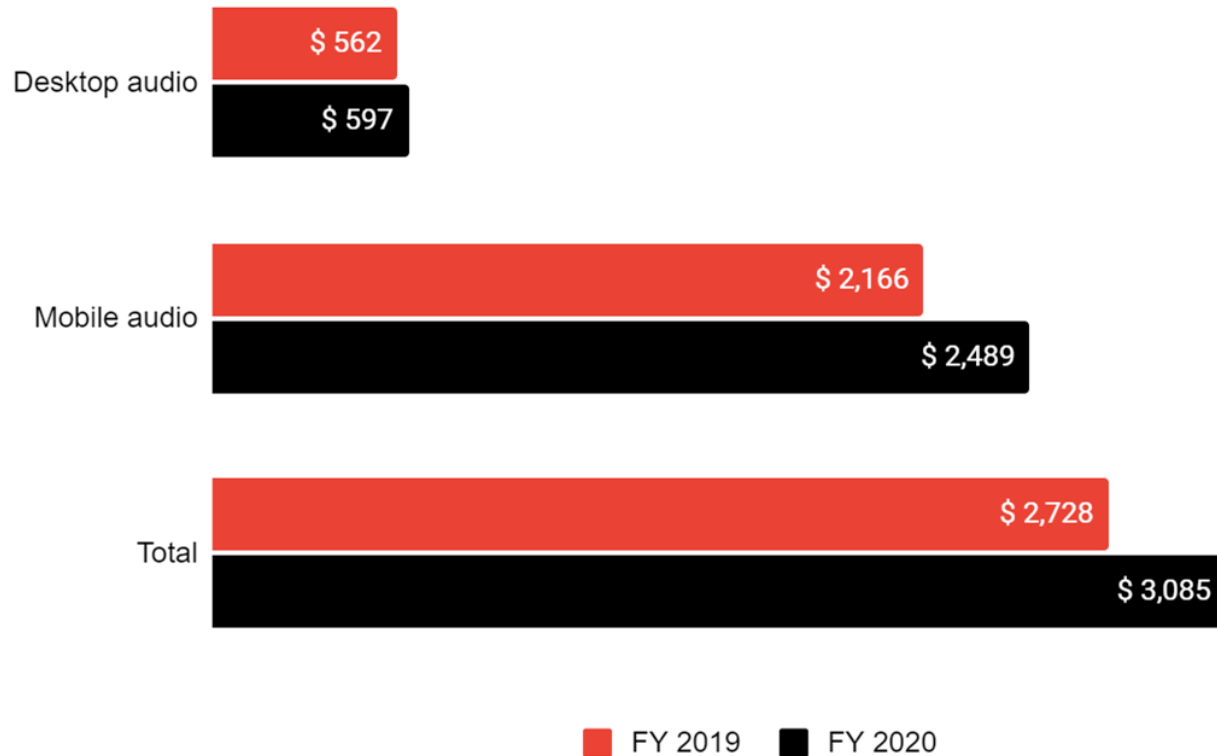
Social media advertising revenues totaled \$41.5 billion in 2020, with a notable increase in second-half revenues.



Digital audio

Mobile is the dominant ad-revenue generating device for audio

Digital audio advertising revenue, full year results (2019 - 2020)
(\$ millions)



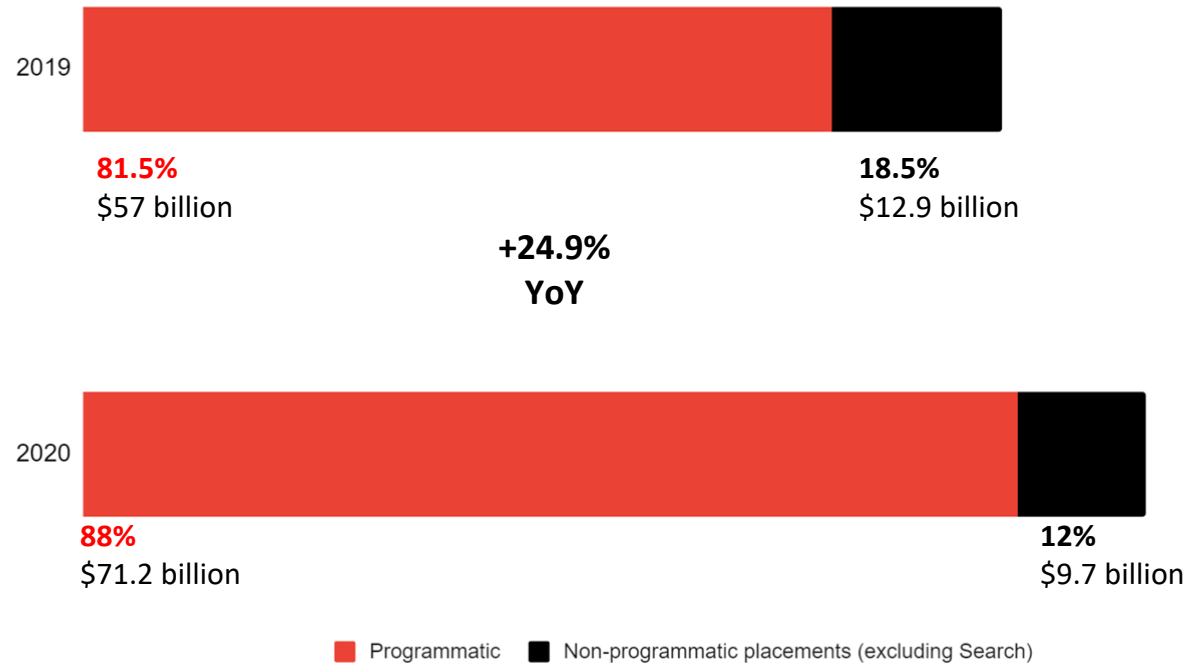
Audio advertising revenue **increased by over \$350 million** in 2020. This equates to a 13% YoY growth, driven predominantly by **increased mobile audio revenues**.

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Programmatic

Programmatic ad revenues increased by 24.9% YoY

Programmatic (excluding Search) full year results (2019-2020)

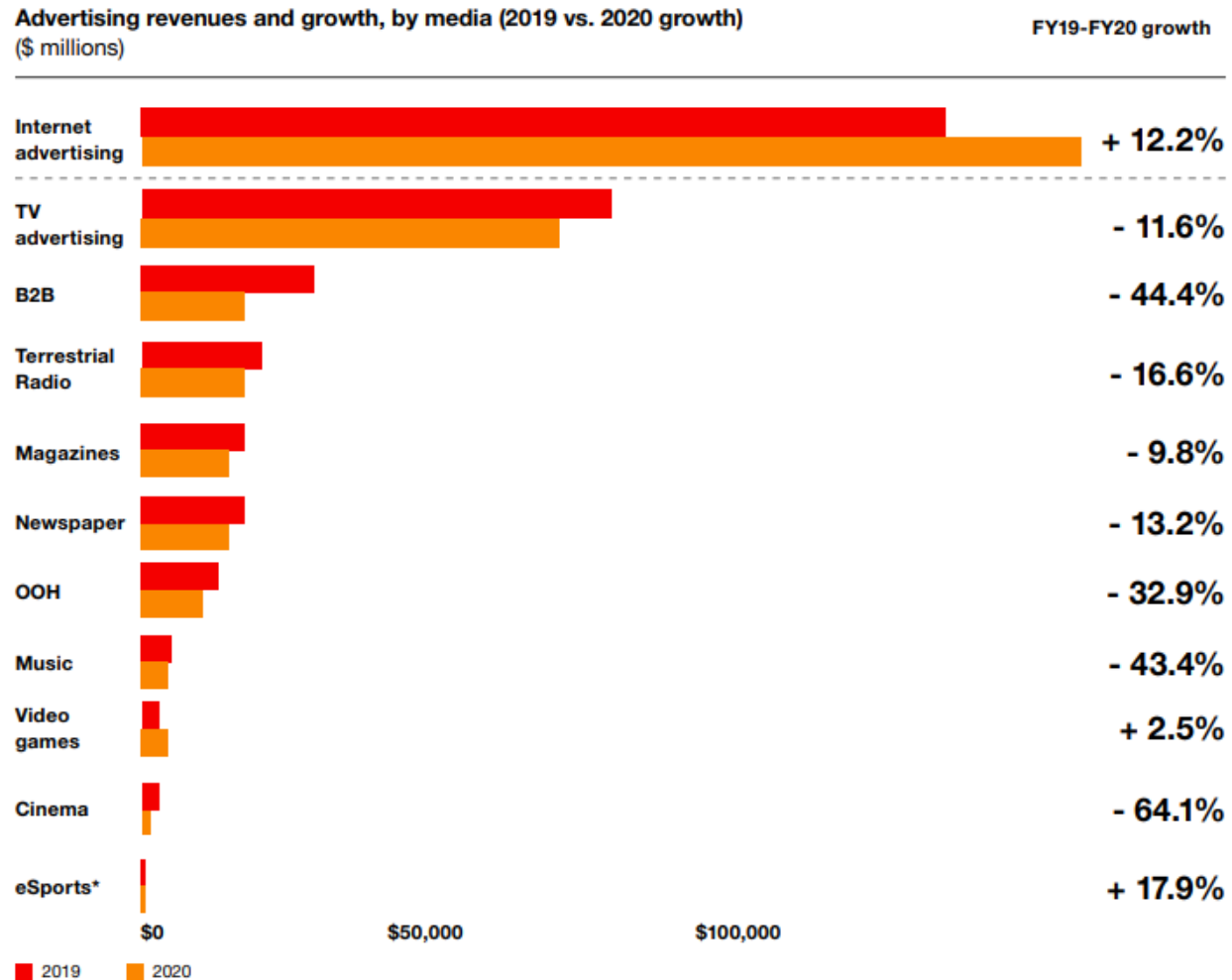


The programmatic growth trend continues, with ad revenues **increasing by \$14.2 billion** within the last year



Market Size

Esports continued to surge as the highest revenue growth by media type, however internet advertising gained the most total revenue last year



Internet advertising, video games and esports are the only media types with positive revenue growth between 2019 and 2020

*Because eSports had a lower ad revenue compared to other media types, its impressive growth rate of 17.9%, which eclipsed all the other types from 2019 to 2020, may not be as noticeable in this graph.

Source: Internet advertising data from IAB / PwC Internet Ad Revenue Report, FY 2020

Source: All other data points from PwC Entertainment & Media Outlook

PwC's technology, media and telecommunications practice

As business, accounting, and tax advisors to many of the world's leading technology, media, and telecommunications (TMT) companies, PwC (www.pwc.com/us/tmt) has an insider's view of trends and developments driving the industry. With approximately 1,200 practitioners serving TMT clients in the United States, PwC is deeply committed to providing clients with industry experience and resources. In recent years, our work in TMT 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, including broadband, wireless, film, television, music, publishing, advertising, gaming, sports, theme parks, computers and networking, software and technology services. 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

About IAB

The [Interactive Advertising Bureau](#) empowers the media and marketing industries to thrive in the digital economy. Its membership comprises more than 650 leading media companies, brands, and the technology firms responsible for selling, delivering, and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

Please reach out with any questions on the Annual Internet Ad Revenue Report



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