
IAB & PwC

2012 First Half IAB PwC
Internet Advertising Revenue Report
Half Year 2012 and Q2 2012

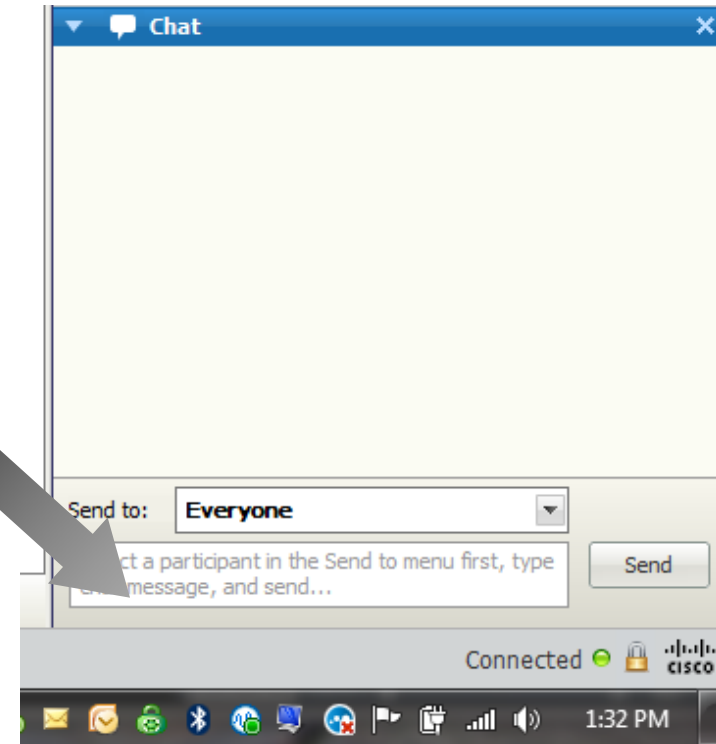
Sherrill Mane, **SVP Research, Analytics, and Measurement, IAB**

David Silverman, **Partner, PwC**

Stefanie Kane, **Partner, PwC**

Important Note on Q&A

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 - Additional press questions should be directed to Shira Orbach, Shira@iab.net
 - Additional questions from IAB members should be directed to Kristina Sruoginis, kristina@iab.net.



Agenda

- **Welcome**
- **First Half 2012 Internet Ad Revenue Highlights**
Sherrill Mane, SVP Research, Analytics and Measurement, IAB
- **Detailed Analysis of IAB PWC Q2 and First Half 2012 Report**
David Silverman, Partner, PwC
- **Global Entertainment and Media Outlook 2012 – 2016**
Stefanie Kane, Partner, PwC
- **Q and A**

IAB & PwC

Overview of 2012 First Half

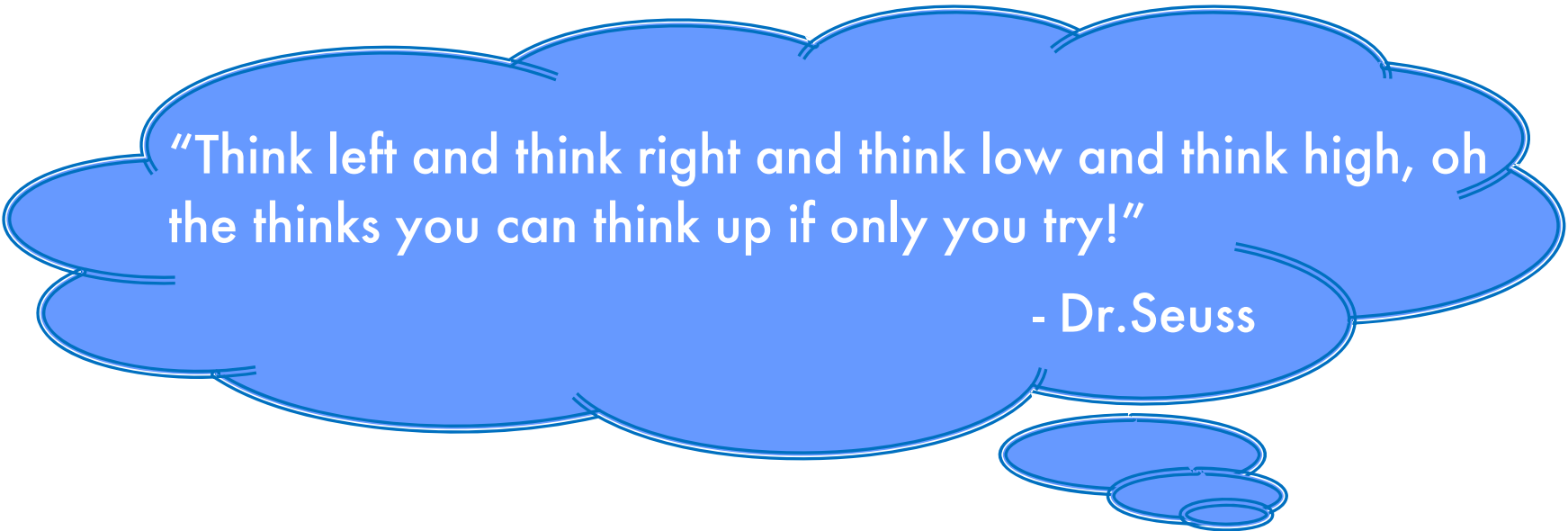
IAB PwC Internet Advertising Revenue Report

Half Year 2012 and Q2 2012

Sherrill Mane

SVP Research, Analytics, and Measurement, IAB

First Half 2012 Internet Ad Revenue Highlights



“Think left and think right and think low and think high, oh the thinks you can think up if only you try!”

- Dr. Seuss

Sherrill Mane

SVP Research, Analytics, and Measurement

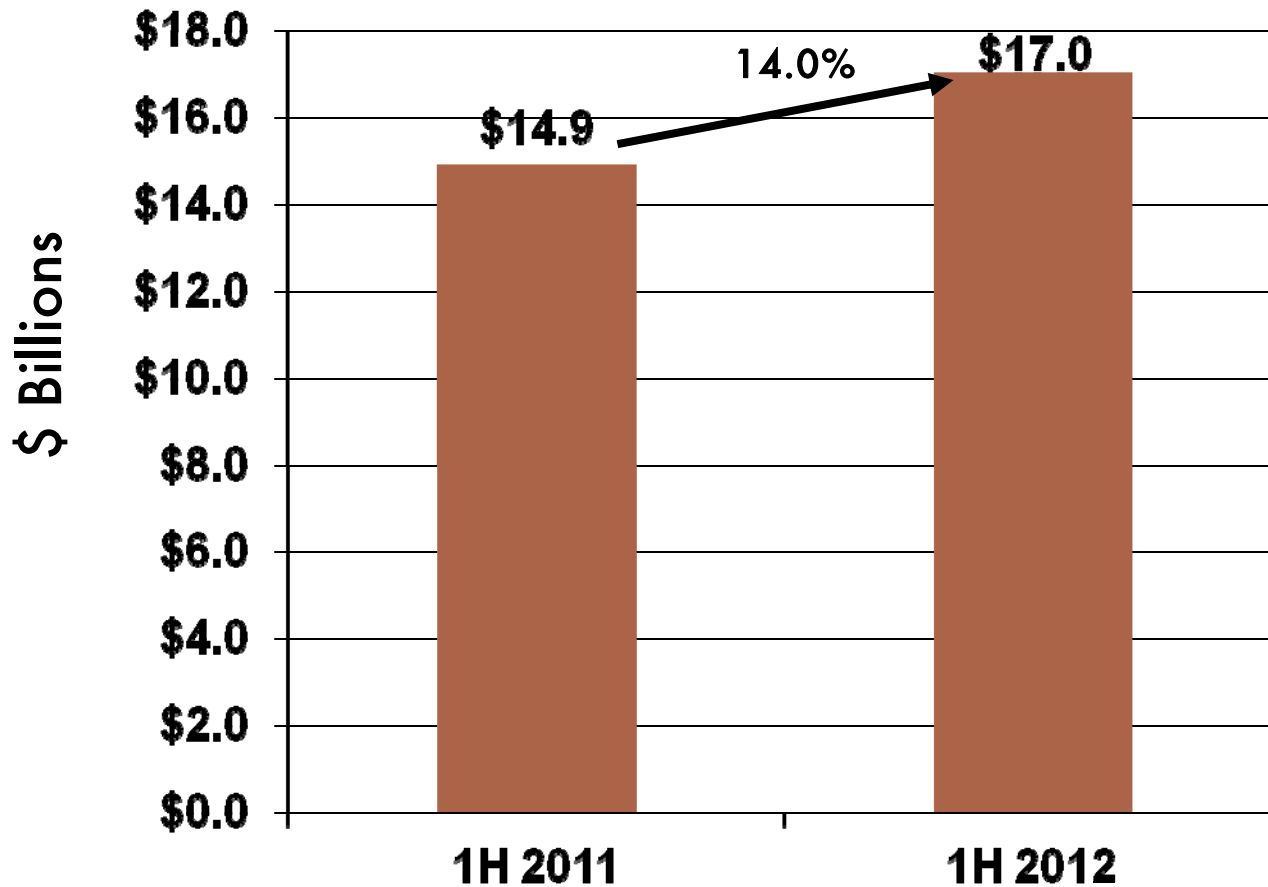
Interactive Advertising Bureau

First Half 2012 Interactive Advertising Sets New Records and Outpaces the Advertising Market

- **In First Half 2012 US Internet ad revenues totaled \$17.0 billion, a record result.**
 - This represents a 14% (or \$2.1 billion) increase from 2011's \$14.9 billion.
- **Mobile ad revenue nearly doubles since First Half 2011, up 95% to \$1.2 billion.**
- **Second quarter 2012 revenue of \$8.7 billion represents the highest second quarter ever for US interactive advertising.**
 - This is an 14% increase over same time last year (\$7.7 billion in Q2 2010).
- **Interactive advertising growth outperforms the total media market based on both Nielsen and Kantar estimates for First Half and Second Quarter 2011.**

First Half 2012 Results Compared With First Half 2011

Digital Ad Growth

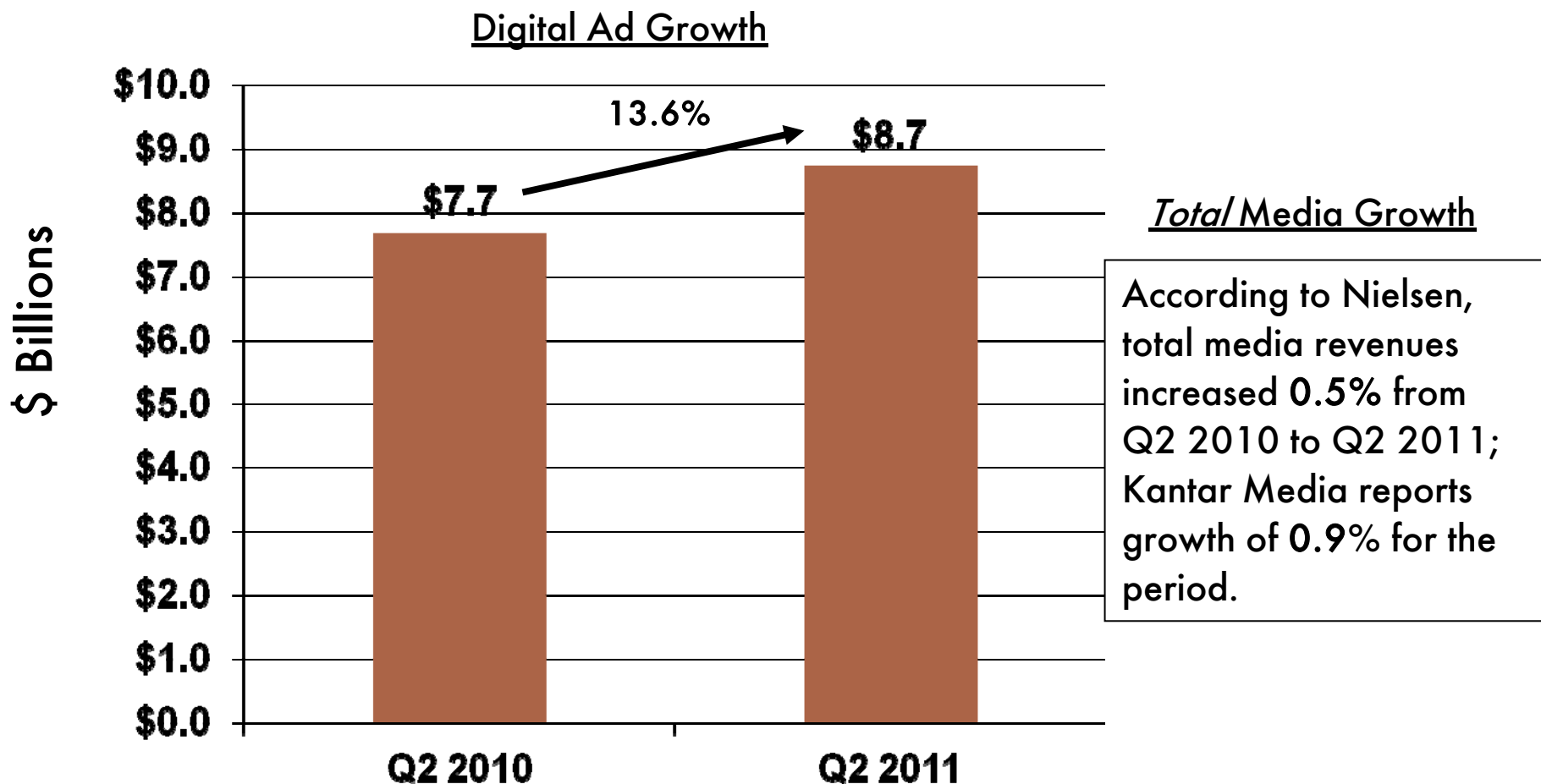


Total Media Growth

The Nielsen Company estimates total media revenues increased 0.9% from First Half 2011 to First Half 2012; Kantar Media estimates a 1.9% increase.

Sources: IAB Internet Advertising Revenue Report, 2012 First Half Year and Second Quarter Report; The Nielsen Company, MonitorPlus, Sept. 2012; Kantar Press Release Sept. 2012

Q2 2012 Results Compared With Q2 2011



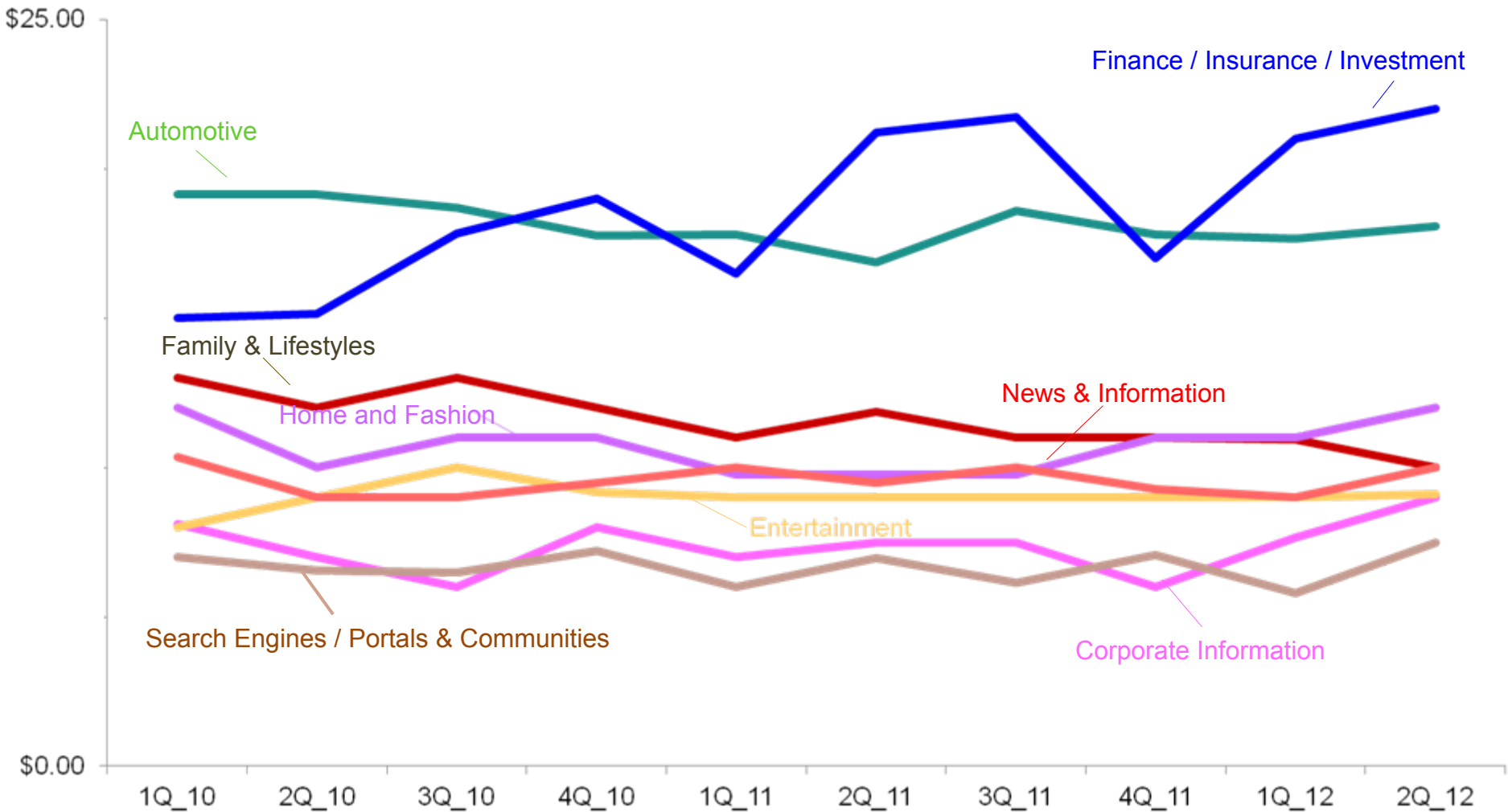
Sources: IAB Internet Advertising Revenue Report, 2012 First Half Year and Second Quarter Report; The Nielsen Company, MonitorPlus, Oct. 2012

Media Marketplace Overview

- **Kantar Media sizes the US ad market in First Half 2012 at \$67.1 billion.**
- **Both Nielsen and Kantar report increases in TV spend First Half 2011 to First Half 2012.**
 - Cable at \$10.9 billion is up 4%.
 - Broadcast network at \$11.1 billion rose 3.3% according to Nielsen.
- **Print media continue to see weakness with Nielsen reporting 4% declines in national newspaper and national magazine spend First Half 2012 versus same time last year.**
- **According to Kantar, in 2nd Q 2012, ad spend in the ten largest categories was up 1.3% overall.**

Display Eight Category Average CPM

Weighted Average - July 2012



First Half 2012: Growing Ad Spend in a Slow Economy

- **In First Half 2012, Search grew 19%, from \$6.8 billion same time last year to \$8.1 billion.**
- **Mobile at \$1.2 billion nearly doubled since First Half 2011.**
- **Strong growth in digital video, up 18% and banners, up 11% over First Half 2011 outperformed rich media.**
 - Overall, display- related ad formats* growth slowed to 4% over year ago
 - Rich media and sponsorships, the two smallest pieces of the display related pie, both declined
- **As impressions based (CPM) revenue grows (+11%), broader economic trends drive dollars from hybrid pricing models to performance based revenue models (+20%).**
- **Brand dollars are moving online at a slightly slower pace than we've seen in the last two half year reports**

A Closer Look at Internet Ad Spend by Vertical

- **Categories demonstrating notable increased interactive ad spend First Half 2012 over First Half 2011 include**
 - Pharma and Healthcare up 81% to \$1.1 billion
 - Automotive, up 29% to \$2.2 billion
 - Entertainment*, up 31% to \$729 million
 - Financial Services, up 20% to \$2.2 billion
- **Packaged goods increased interactive spend by just 4% and comprise 5% of total dollars in First Half 2012.**
- **Retail remains the biggest spender at \$3.4 billion and makes up 20% of all interactive ad dollars in First Half 2012.**
- **Brands are moving dollars.**
- **But performance advertising outpaces brand growth and share of the interactive pie.**

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Details of 2012 First Half IAB PwC Internet Advertising Revenue Report

Half Year 2012 and Q2 2012

David Silverman
Partner, PwC

www.pwc.com
www.iab.net

IAB Internet Advertising Revenue Report

2012 First six-months results



Agenda

Survey methodology

2012 First six-months results

First six-months and quarterly trends

Advertising formats

Pricing models

Industry category spending

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 advertising revenues, inclusive of wired and mobile;
- Making the survey as inclusive as possible, encompassing all forms of Internet advertising, including websites, consumer online services, ad networks, mobile devices, and e-mail providers; and
- Ensuring and maintaining a confidential process, releasing only aggregate data.

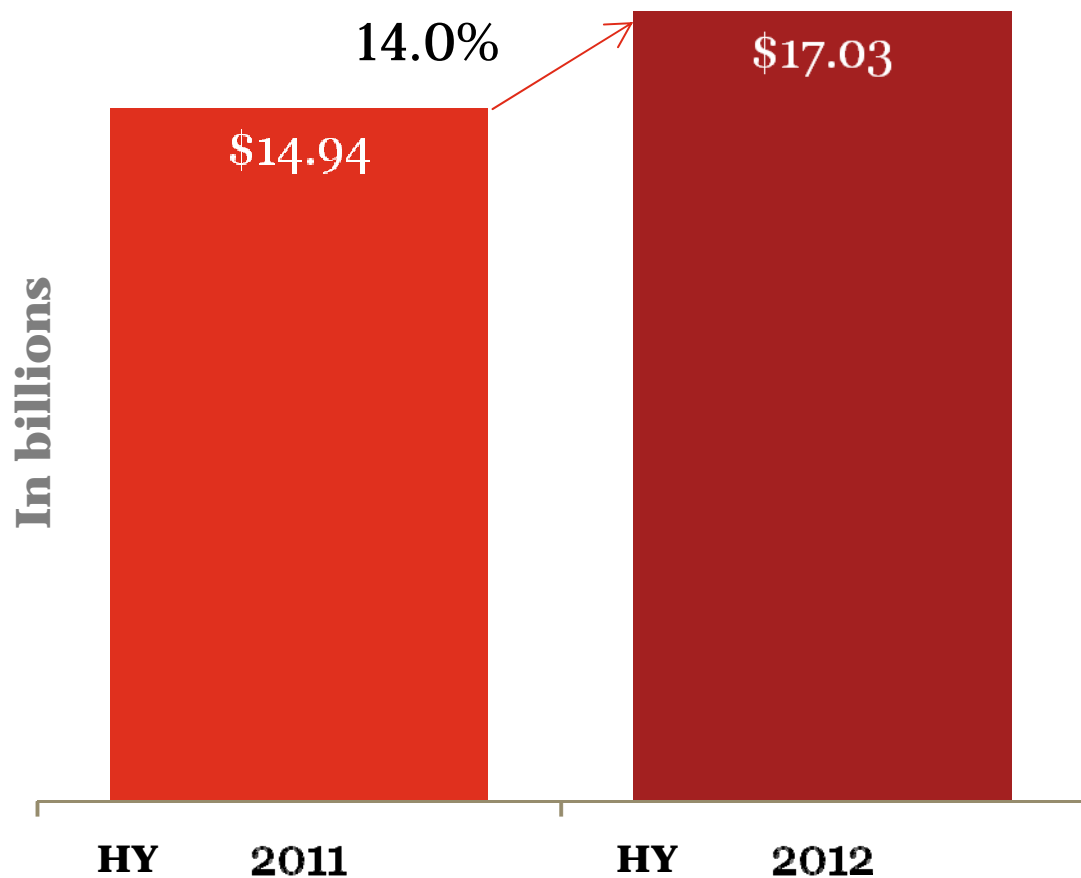
Methodology

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, e-mail providers, and other online media companies
- Acquires supplemental data through the use of publicly disclosed information
- Requests and compiles several specific data items, including monthly gross commissionable advertising revenue by industry category and transaction
- Identifies non-participating companies and applies a conservative revenue estimate based on available public sources
- Analyzes the findings, identifies and reports key trends
- Prior year data was restated to include mobile as a format category

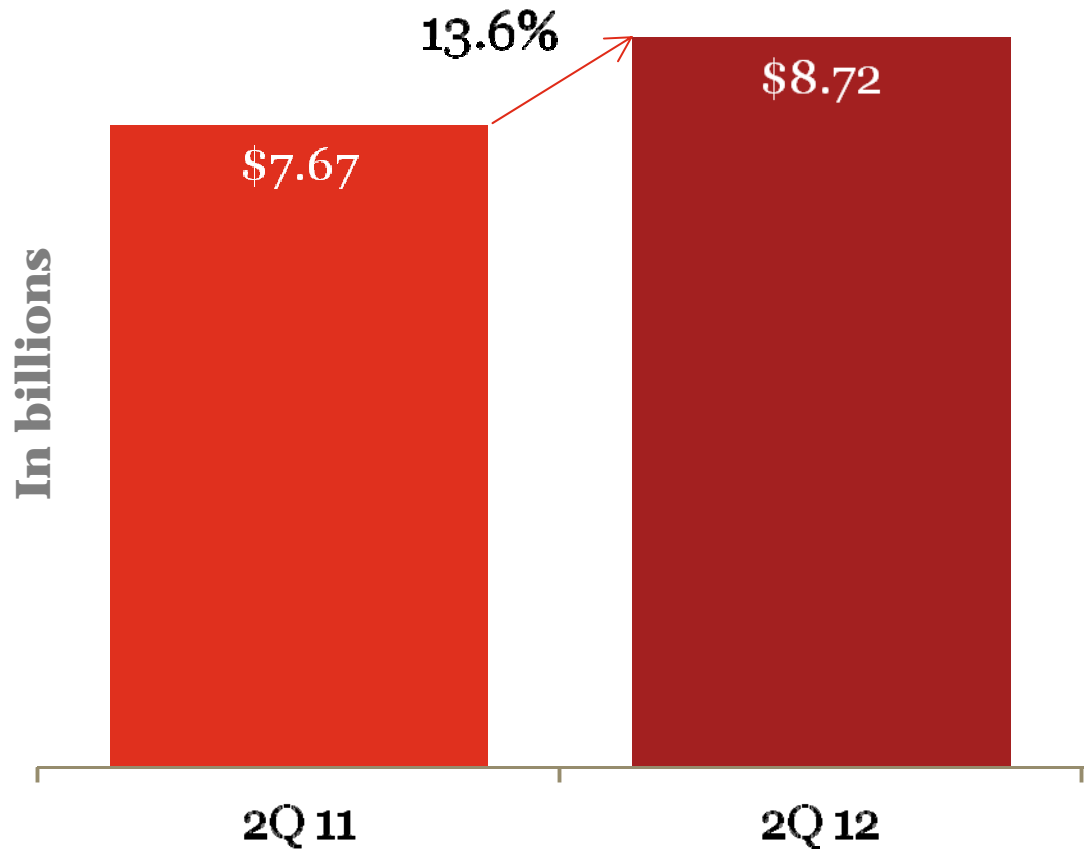
***Year-to-date revenues totaled
\$17.03 billion in 2012***

***Online
advertising
revenue
increased 14.0%
in 2012.***



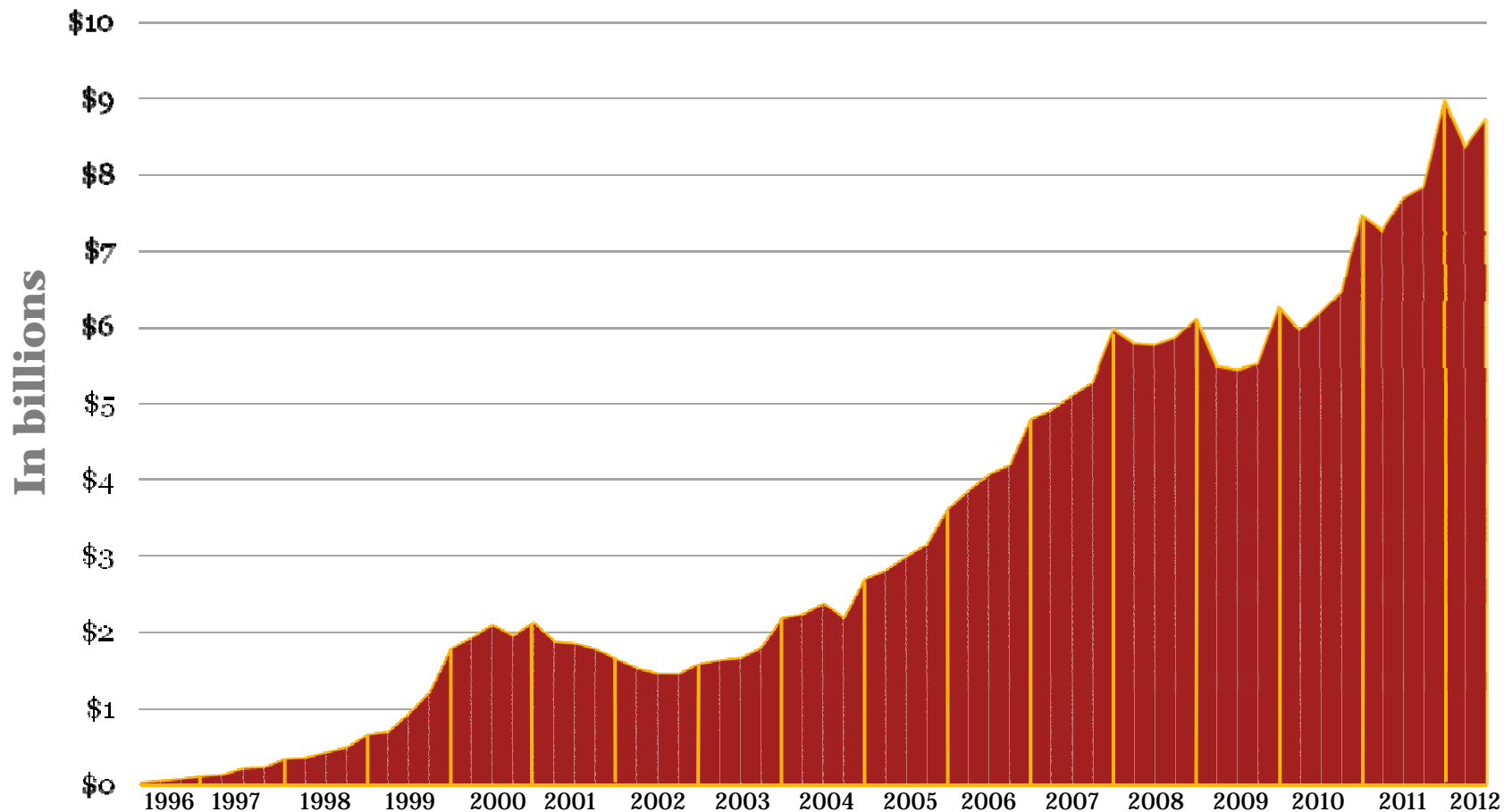
Second quarter revenues totaled \$8.72 billion in 2012

Revenue in Q2 2012 was 13.6% higher than in Q2 2011.



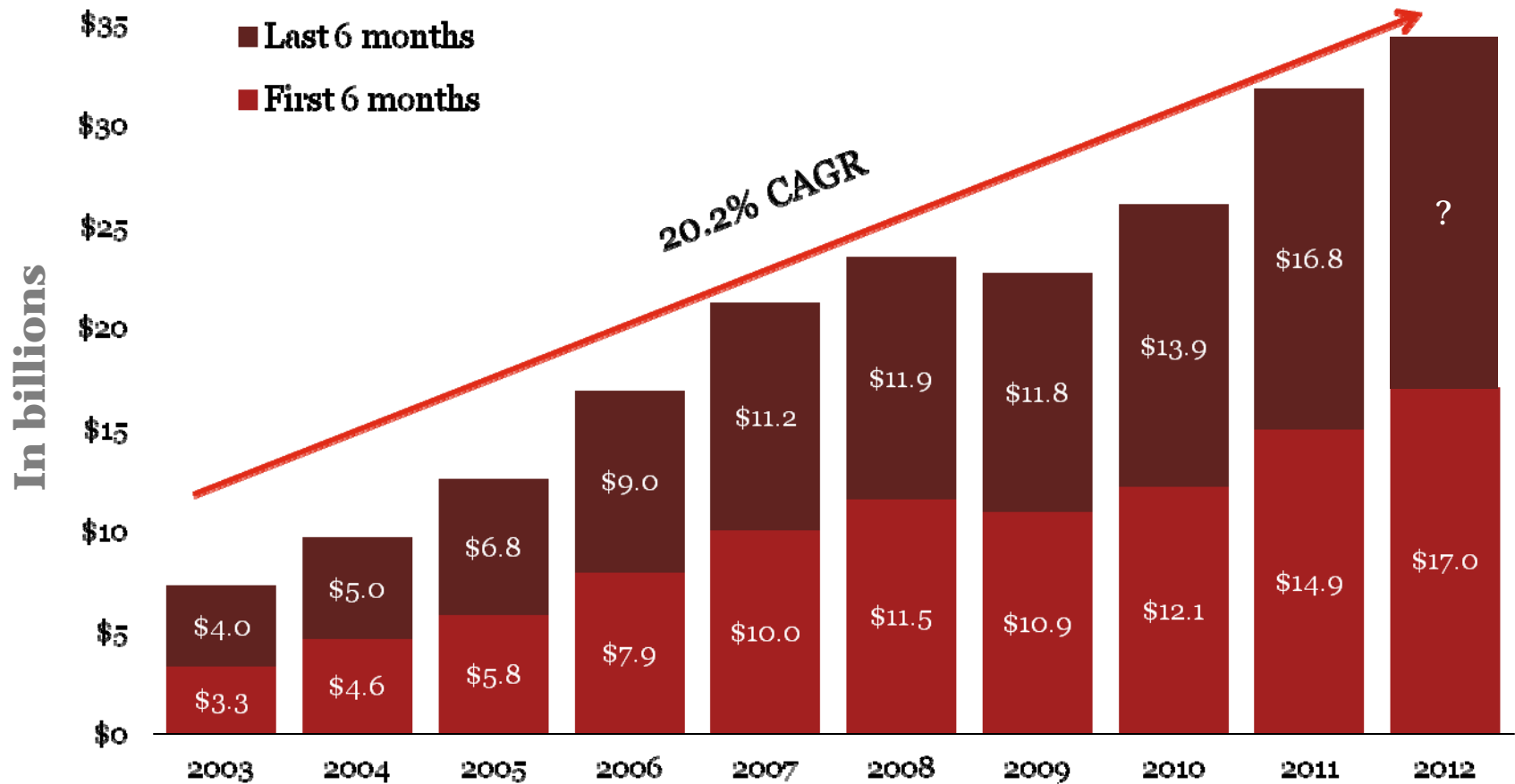
A historical perspective of internet advertising

Quarterly growth comparison, 1996–HY 2012



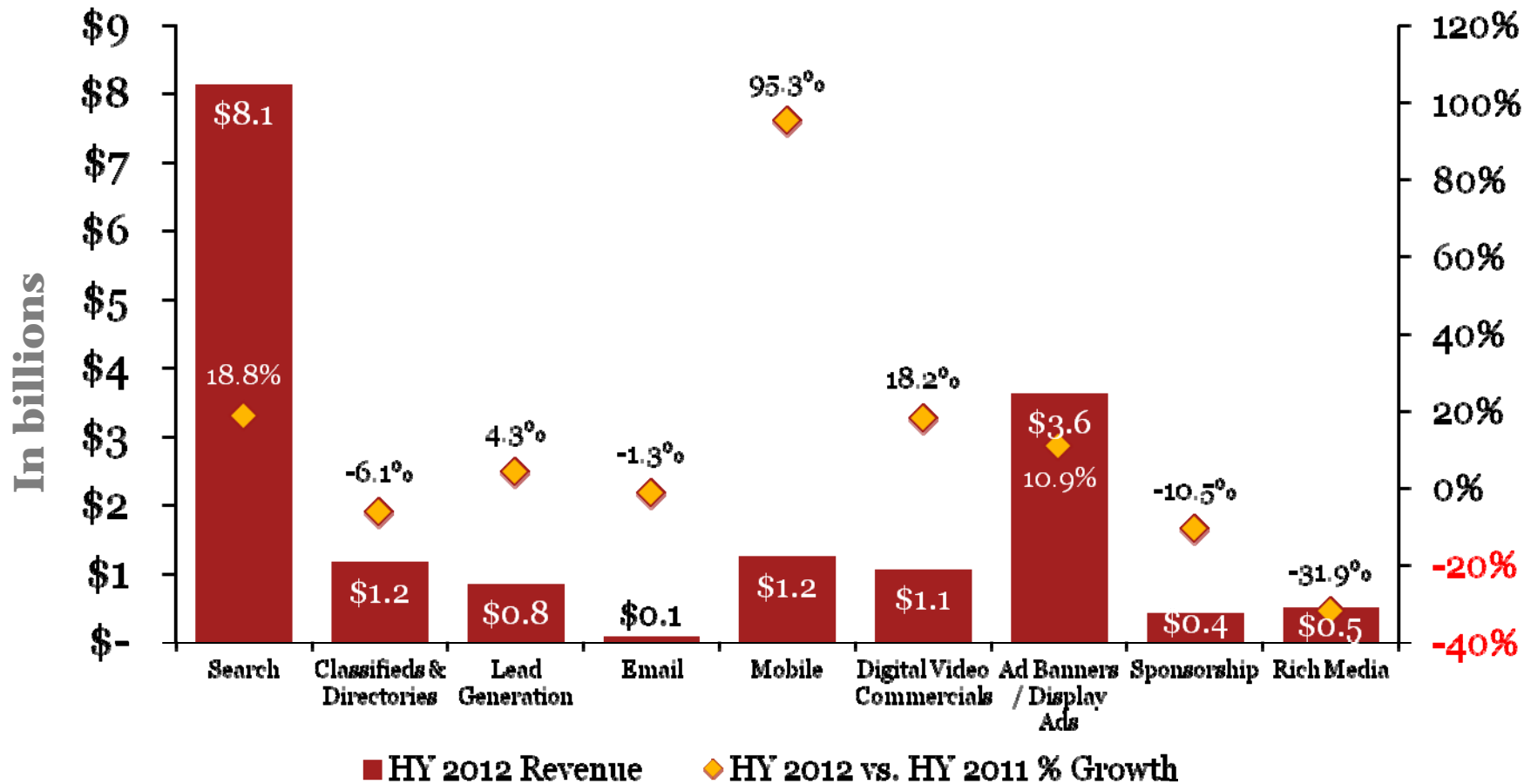
First six-months 2012 shows record revenues

Historical revenue mix, first half vs. second half



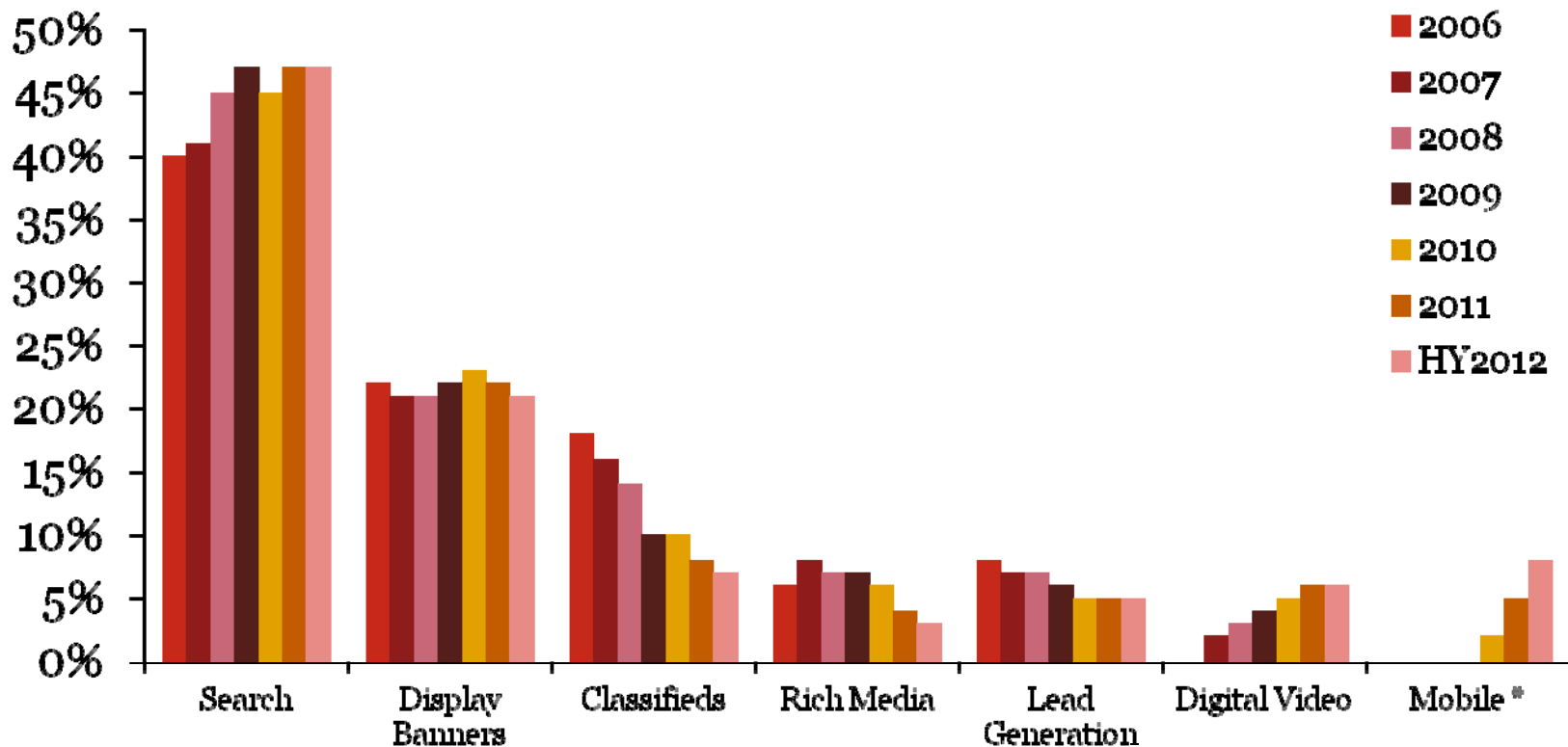
Mobile shows the strongest growth

Advertising formats – HY 2012 results and growth rates



Historical trends in internet advertising formats

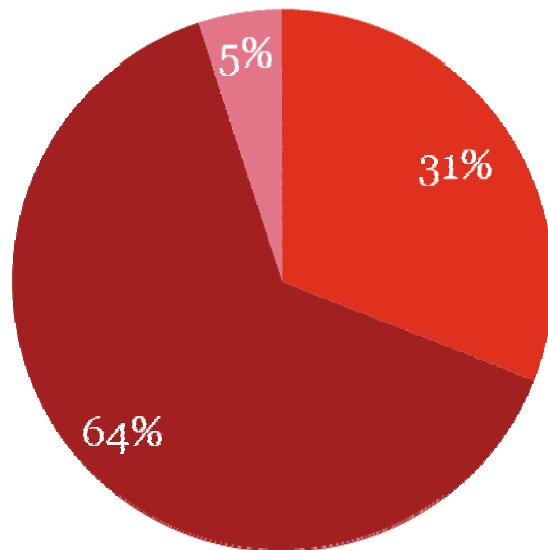
Revenue share by major ad formats, 2006–HY 2012



- In 2011, revenue is presented in the ad formats section of the report as a separate category for HY and Q2 2011 for the first time. In order to provide a comparison to the prior year, we have revised 2011 revenues for ad formats to be on a consistent basis (for the methodology, please reference the Appendix on page 22 of the HY 2012 IAB Internet Advertising Revenue Report).

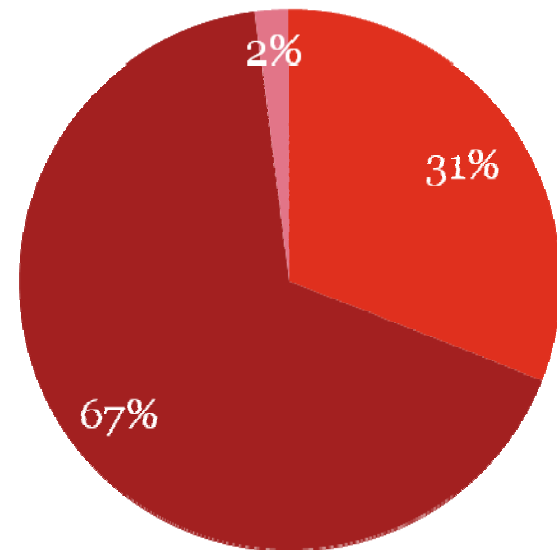
Pricing models shift towards performance

Internet ad revenues by pricing model, HY 2011 vs. HY 2012

HY 2011

■ Impression-based ■ Performance-based
■ Hybrid

Total – \$14.9 billion

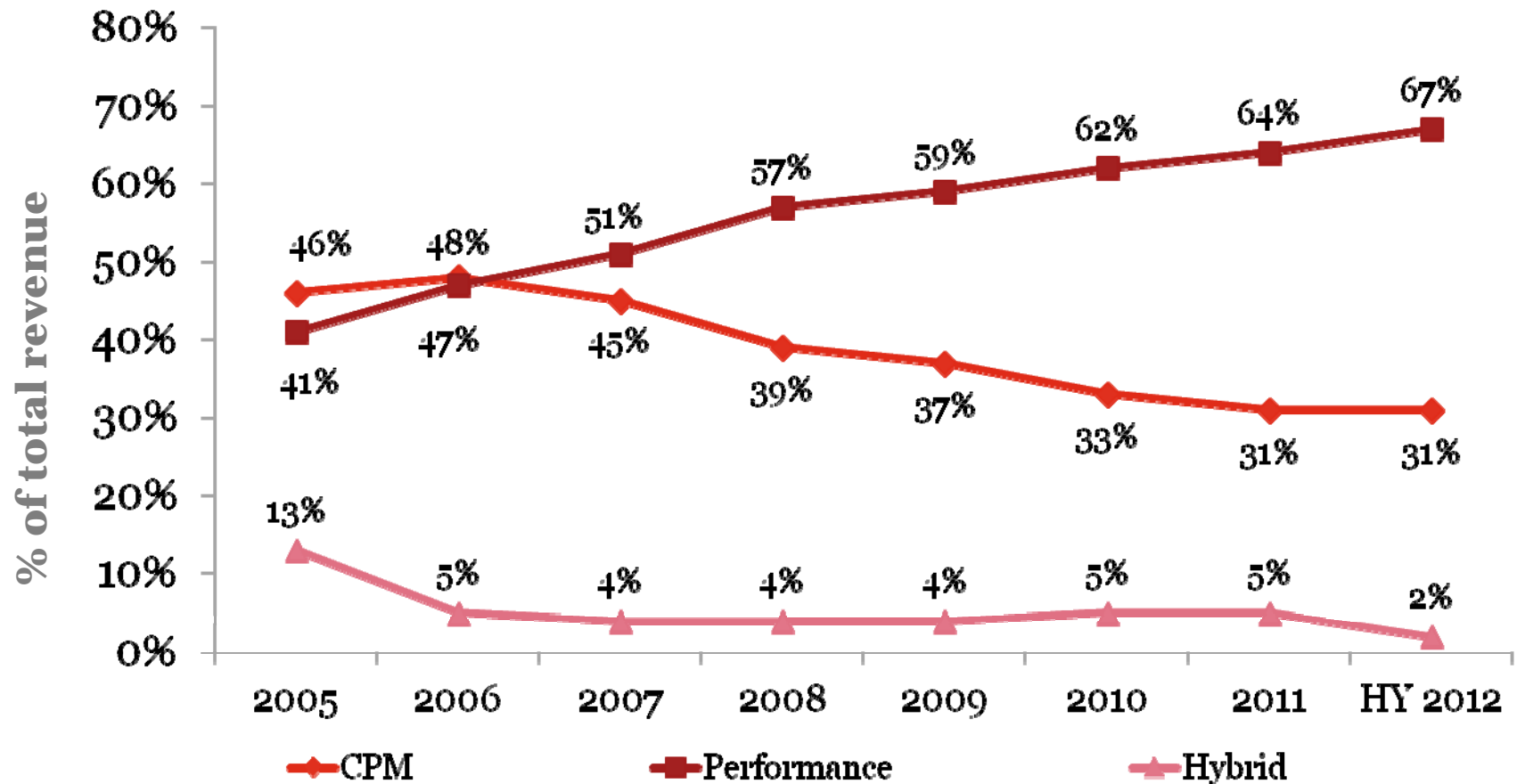
HY 2012

■ Impression-based ■ Performance-based
■ Hybrid

Total – \$17.0 billion

Historical pricing model trends

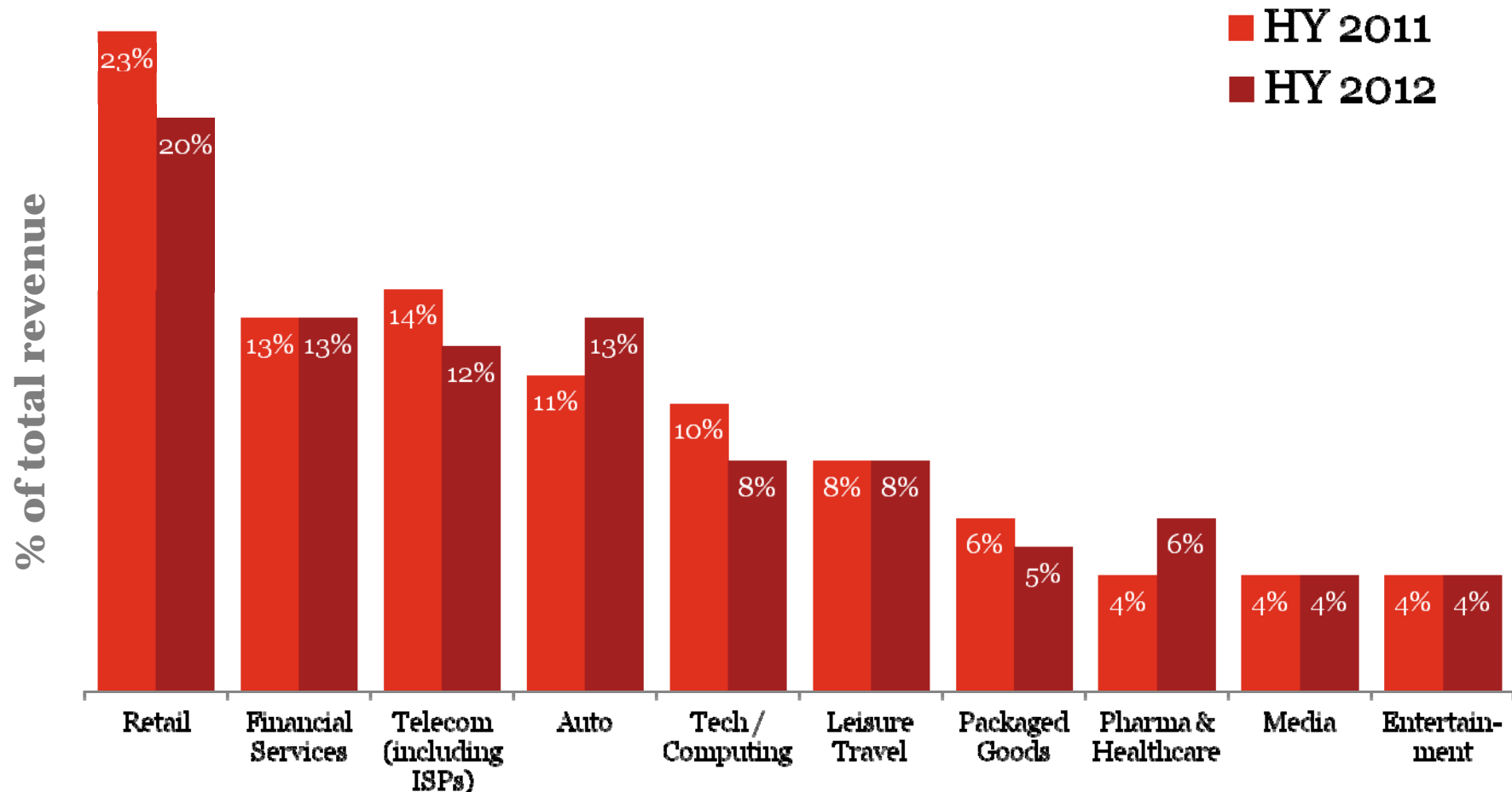
Internet ad revenues by pricing model, 2005–HY 2012



Note: Pricing models definitions may have changed over time period depicted, both within the survey process and definitional by survey respondents.

Internet ad revenues by major industry category

\$14.94 B in HY 2011 vs. \$17.03 B in HY 2012



PwC New Media Group

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 1200 practitioners serving EMC and Tech clients in the United States, PwC is deeply committed to providing clients with industry expertise 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 are always close at hand to provide deep industry expertise and resources.

PwC's New Media Group was the first practice of its kind at a Big Four firm. Currently located in New York, Los Angeles, Boston, Seattle and the Bay Area, our New Media Group includes accounting, tax and consulting professionals who have broad and deep experience in the three areas that converge to form new media: advanced telecommunications, enabling software and content development/distribution.

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 & Acquisition assistance
- Tax planning and compliance
- Capital sourcing and IPO assistance

PwC New Media Group **Contacts**

For information about our New Media Group, contact one of the following PwC professionals:

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Global Entertainment and Media Outlook 2012-2016

Half Year 2012 and Q2 2012

Stefanie Kane
Partner, PwC

www.pwc.com/outlook

Global entertainment and media outlook 2012-2016

IAB Webcast
October 11, 2012

www.pwc.com/outlook

- ✓ Consumer/end-user and advertising spending
- ✓ 5 year historic and 5 year forecast data
- ✓ 48 countries
- ✓ 13 segments

Internet access spending

Internet advertising

TV subscriptions and license fees

Television advertising

Filmed entertainment

Video games

Music

Consumer magazine publishing

Newspaper publishing

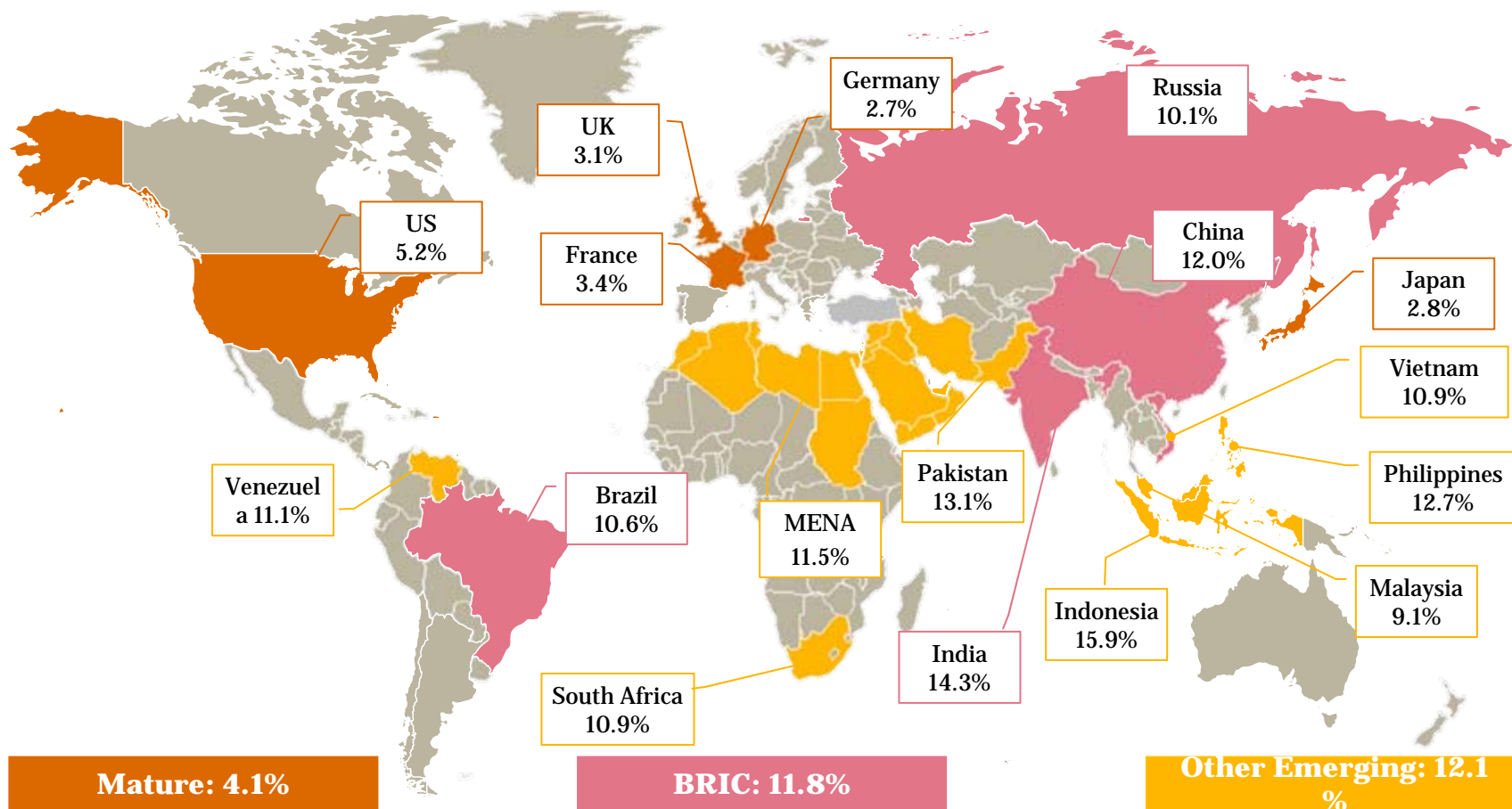
Radio

Out-of-home advertising

Consumer and educational book publishing

Business-to-business

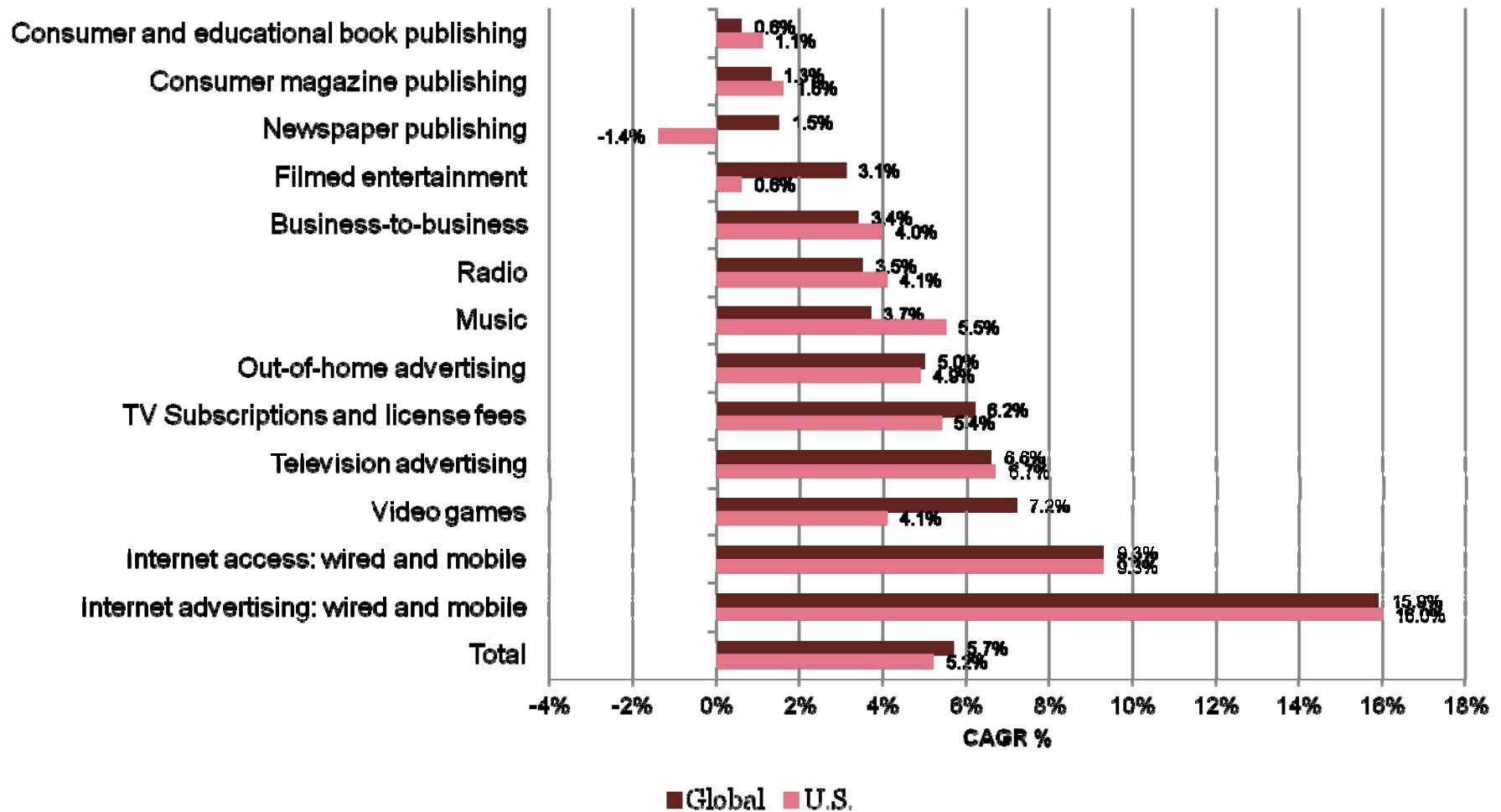
Entertainment and media growth rates 2012–2016 (5.7% Global CAGR)



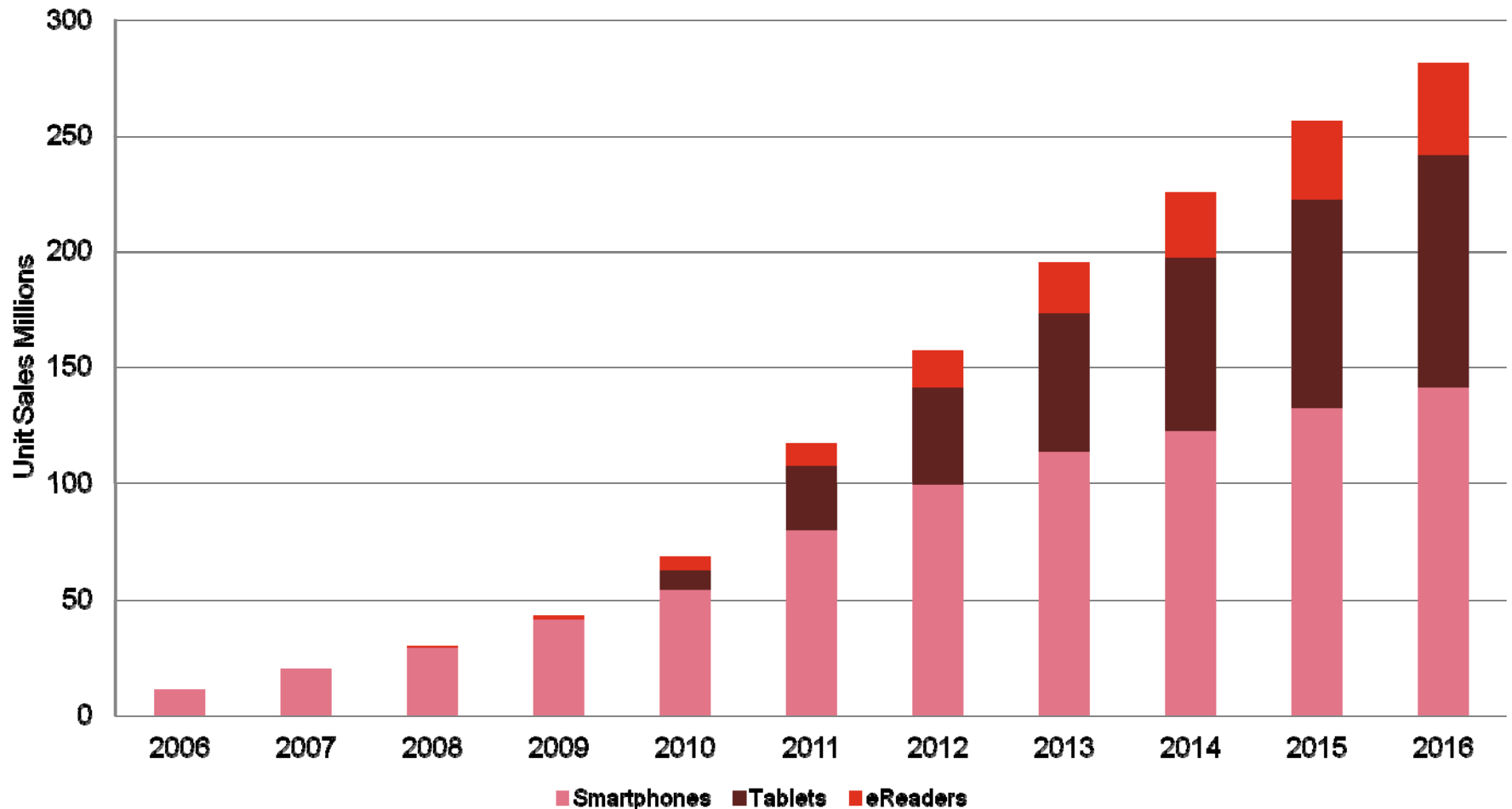
Top 10 advertising markets – China to overtake Japan in 2014

Ranking 2011	Country		Ranking 2016	Country	% CAGR 2012-2016
1	US		1	US	5.9
2	Japan	↓	2	China	14.6
3	China	↑	3	Japan	3.2
4	Germany	↓	4	UK	4.7
5	UK	↑	5	Germany	2.5
6	France	↓	6	Brazil	9.0
7	Brazil	↑	7	France	3.6
8	Australia	↓	8	Russia	13.1
9	Italy		9	Canada	5.9
10	Canada	↑	10	Australia	2.4

Growth by segment 2012-2016

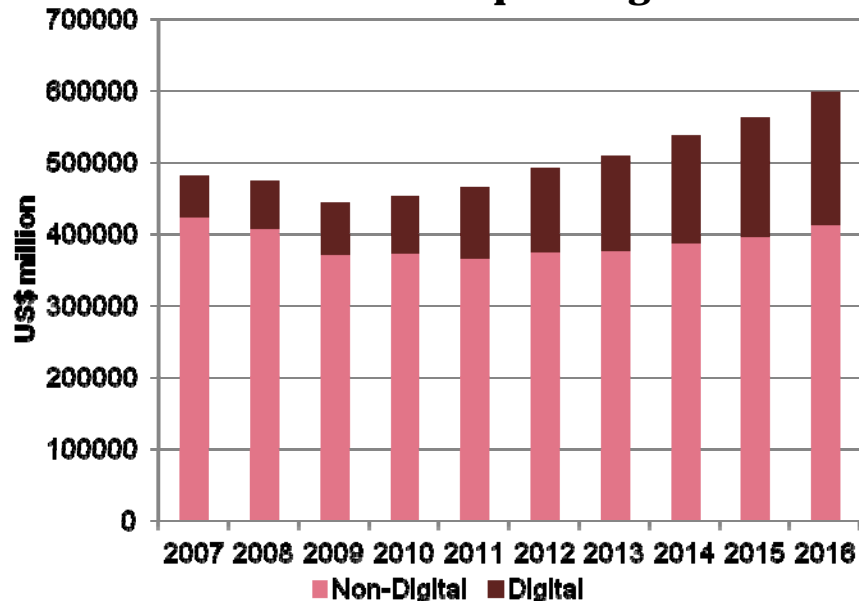


Key driver: U.S. smart device sales are rocketing

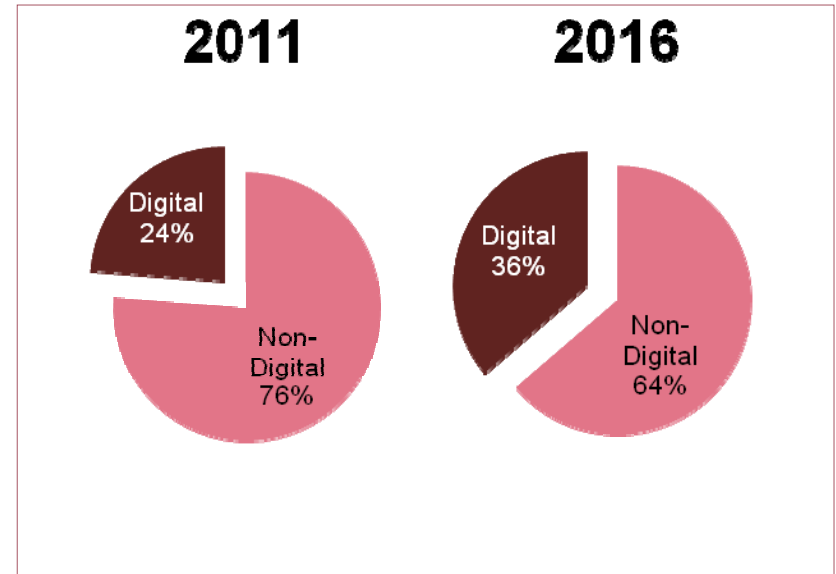


Key driver: Digital revenue drives U.S. growth... But the majority of spending remains non-digital

U.S. total E&M spending



U.S. advertising spending

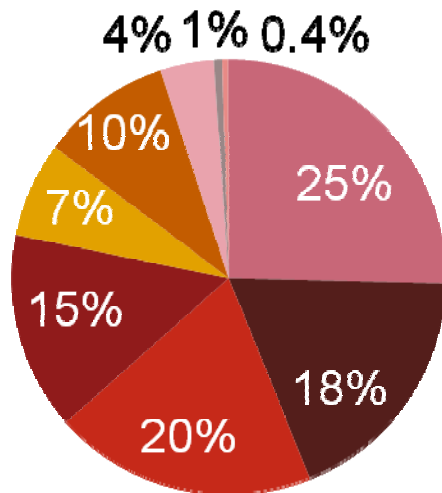


al digital spending is defined as: online and mobile Internet advertising, mobile TV subscriptions, digital music, electronic home video, online and wireless video games, digital consumer magazine circulation spending, digital newspaper circulation spending, digital trade magazine circulation spending, electronic consumer, educational, and professional books, satellite radio subscriptions, and broadband and mobile internet access

ital advertising spending is defined as: digital directory, digital trade magazine, digital consumer magazine, internet, digital newspaper publishing, satellite radio, online and mobile television, and video game advertising.

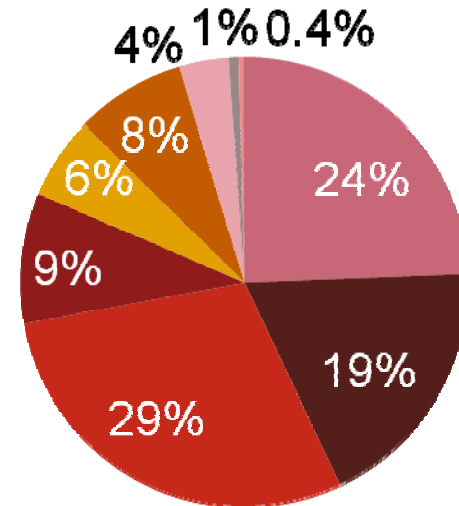
U.S. Advertising Revenue Market Share by Media – 2011 versus 2016 Forecast

2011



■ Broadcast Television
■ Newspaper
■ Out of Home

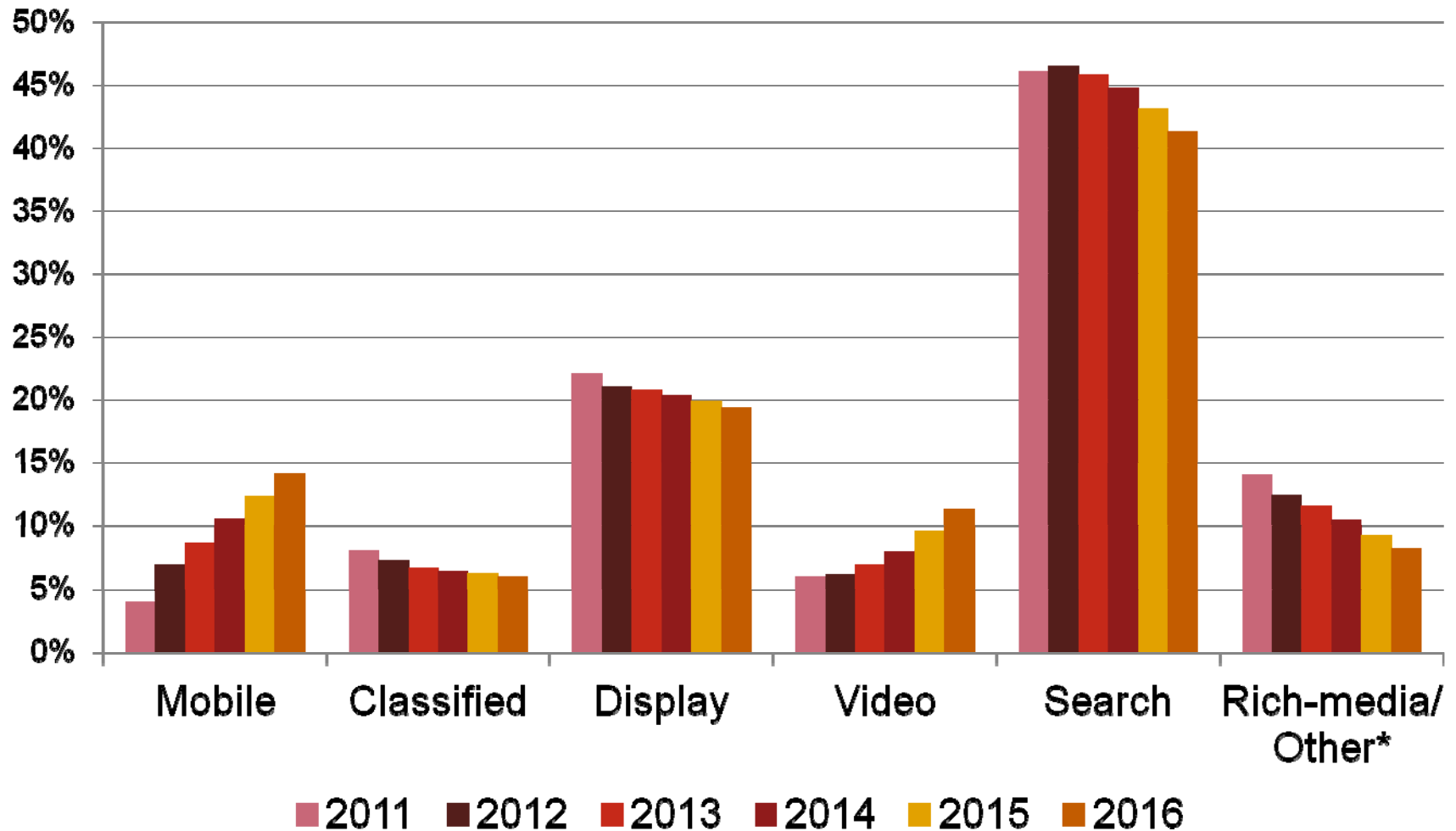
2016 Forecast



■ Cable Television
■ Magazines
■ Video Games

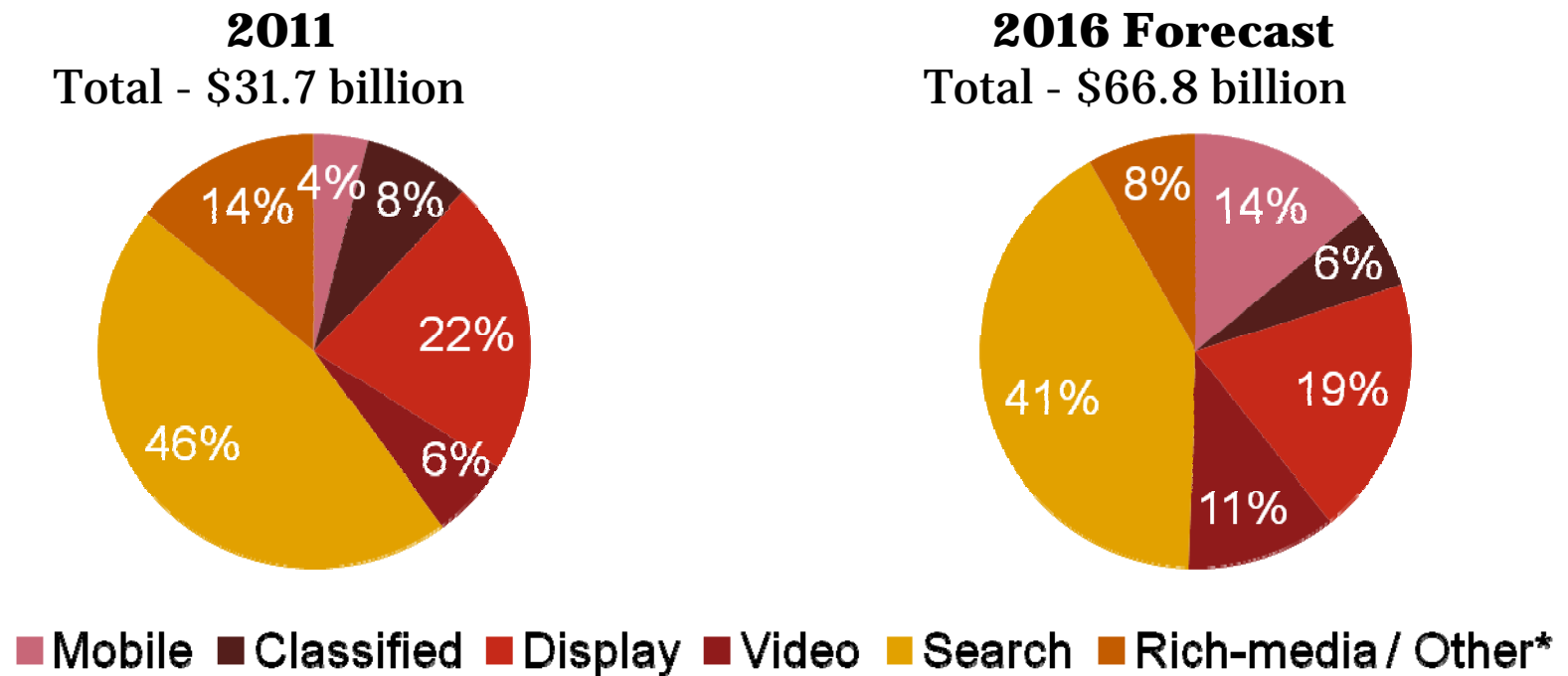
■ Internet: wired and mobile
■ Radio
■ Cinema

U.S. Internet Advertising Format Share (% of Total Revenue)



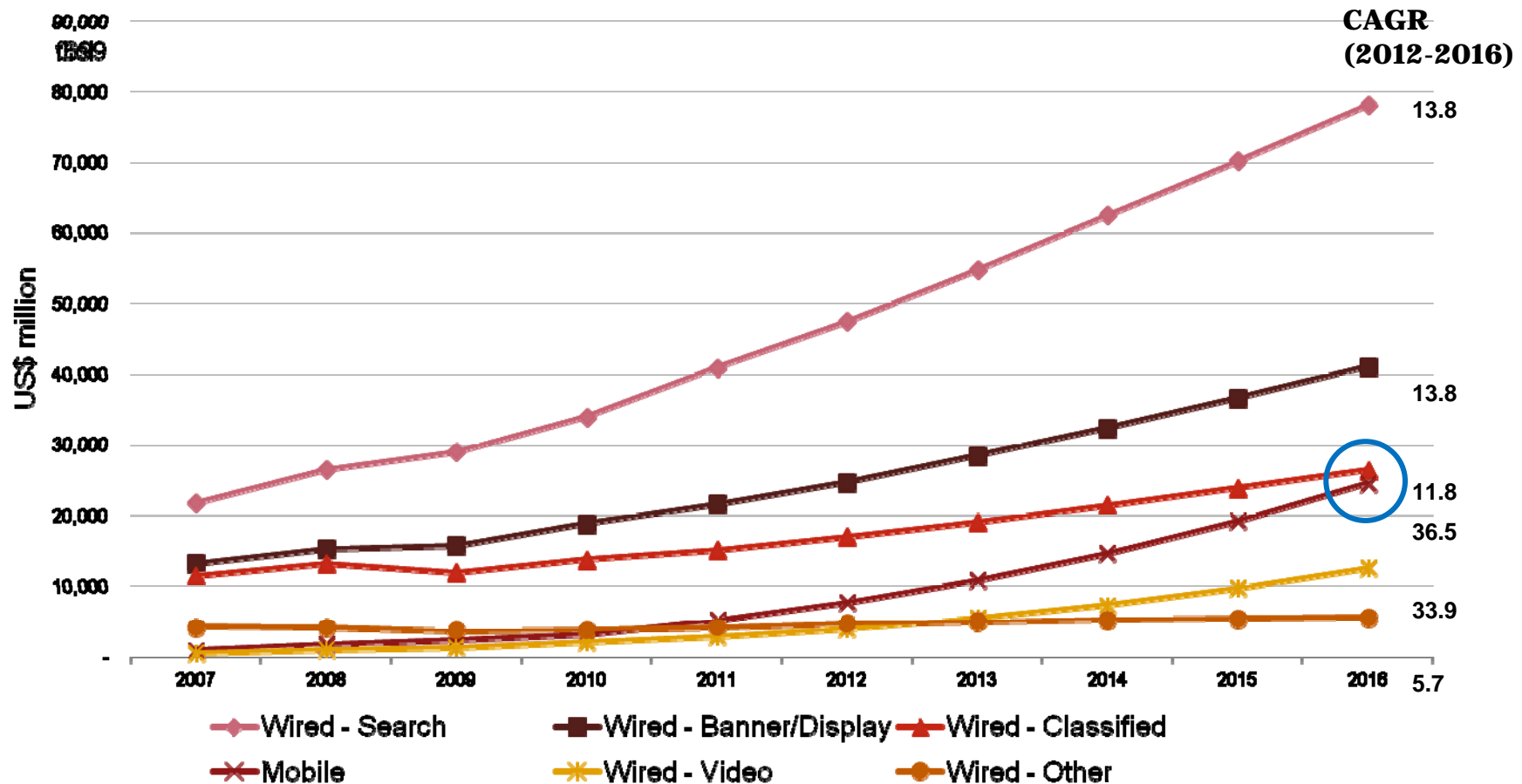
** Includes: Rich media, Sponsorship, Email, and Lead Generation advertising*

U.S. Internet Ad Formats – 2011 versus 2016 Forecast



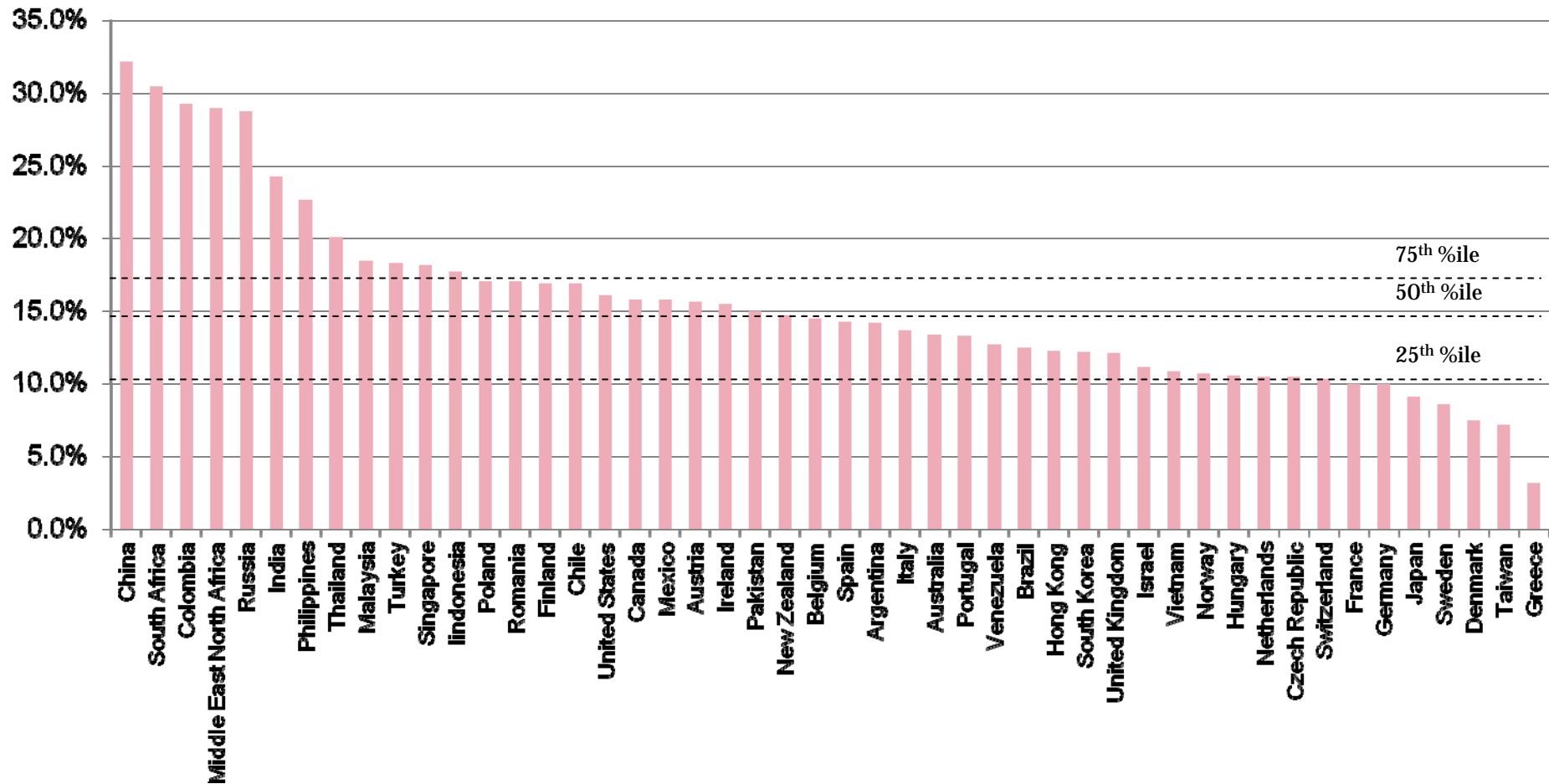
* Includes: Rich media, Sponsorship, Email, and Lead Generation advertising

Global - Mobile advertising to overtake online classified past 2016



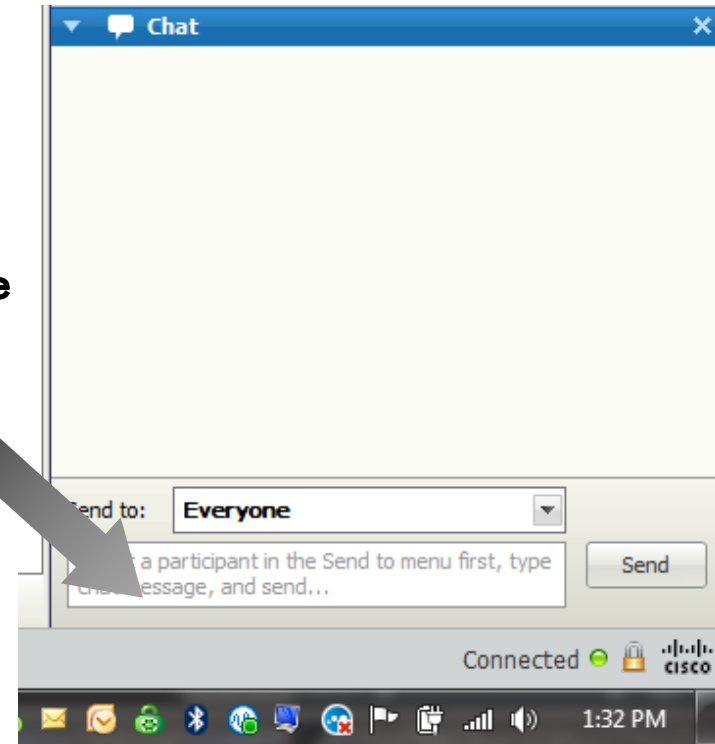
Global Internet Advertising

2012 – 2016 CAGR%



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November 5, 2012 • New York

IAB ANNUAL LEADERSHIP MEETING

February 24 - 26, 2013 • Arizona Biltmore, Phoenix, AZ

ADVERTISING TECHNOLOGY: IAB MARKETPLACE

March 21, 2013 • New York

MOBILE: IAB MARKETPLACE

April 15, 2013 • New York

SCREENS^(N)

June 10, 2013 • New York

IAB MIXX CONFERENCE & EXPO

September 23 - 24, 2013 • New York

IAB MIXX AWARDS

September 24, 2013 • New York

AD OPERATIONS: IAB SUMMIT

November 4, 2013 • New York

Find out more at www.iab.net.



For information on
IAB sponsorship opportunities,
contact Phil Ardizzone at
212-994-1790 or phil@iab.net.

THANK YOU

FOLLOW-UP QUESTIONS

- Additional questions from IAB members should be directed to Kristina Sruoginis: kristina@iab.net
- Additional press questions should be directed to Shira Orbach: Shira@iab.net
- Reports can be found at: www.iab.net
- For PwC Global Entertainment and Media Outlook reports go to: www.pwc.com/outlook