



“Helping Communities Communicate”



***2013 Internet Advertising
Revenue Report***

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Background

About the IAB internet advertising revenue report

Conducted by PricewaterhouseCoopers LLP (“PwC”) on an ongoing basis, with results released quarterly, the “IAB Internet Advertising Revenue Report” was initiated by the Interactive Advertising Bureau (IAB) in 1996. This report utilizes data and information reported directly to PwC, publicly available online corporate data, and information provided by online ad selling companies.

The results reported are considered the most accurate measurement of internet/online/mobile advertising revenues because much of the data is compiled directly from information supplied by companies selling advertising online. All-inclusive, the report includes data reflecting online advertising revenues from websites, commercial online services, ad networks and exchanges, mobile devices, and e-mail providers, as well as other companies selling online advertising.

The report is conducted independently by PwC on behalf of the IAB. PwC does not audit the information and provides no opinion or other form of assurance with respect to the information. Only aggregate results are published and individual company information is held in strict confidence with PwC. Further details regarding scope and methodology are provided in the appendix to this report.

David Silverman
PwC

Executive summary

'IAB internet advertising revenue report' 2013 full year highlights

Internet advertising revenues (“revenues”) in the United States totaled \$42.8 billion for the full year of 2013, with Q4 2013 accounting for approximately \$12.1 billion and Q3 2013 accounting for approximately \$10.6 billion. Revenues for the full year of 2013 increased 17% over 2012.

Key trends underlying 2013 results

Revenues increase 17% in FY 2013 — Internet advertising revenues in the United States totaled \$12.1 billion in the fourth quarter of 2013, an increase of 14% from the 2013 third-quarter total of \$10.6 billion and an increase of 17% from the 2012 fourth-quarter total of \$10.3 billion. 2013 full year internet advertising revenues totaled \$42.78 billion, up 17% from the \$36.57 billion reported in 2012.

“The news that interactive has outperformed broadcast television should come as no surprise. It speaks to the power that digital screens have in reaching and engaging audiences. In that same vein, the triple-digit growth of mobile is clearly a direct response to how smaller digital screens play an integral role in consumers' lives throughout the day, as well as their critical importance to cross-screen experiences.”

— Randall Rothenberg, President and CEO, IAB

Mobile advertising increases 110% in FY 2013 — Mobile advertising in the United States totaled \$7.1 billion during FY 2013, a 110% increase from the prior year total of \$3.4 billion.

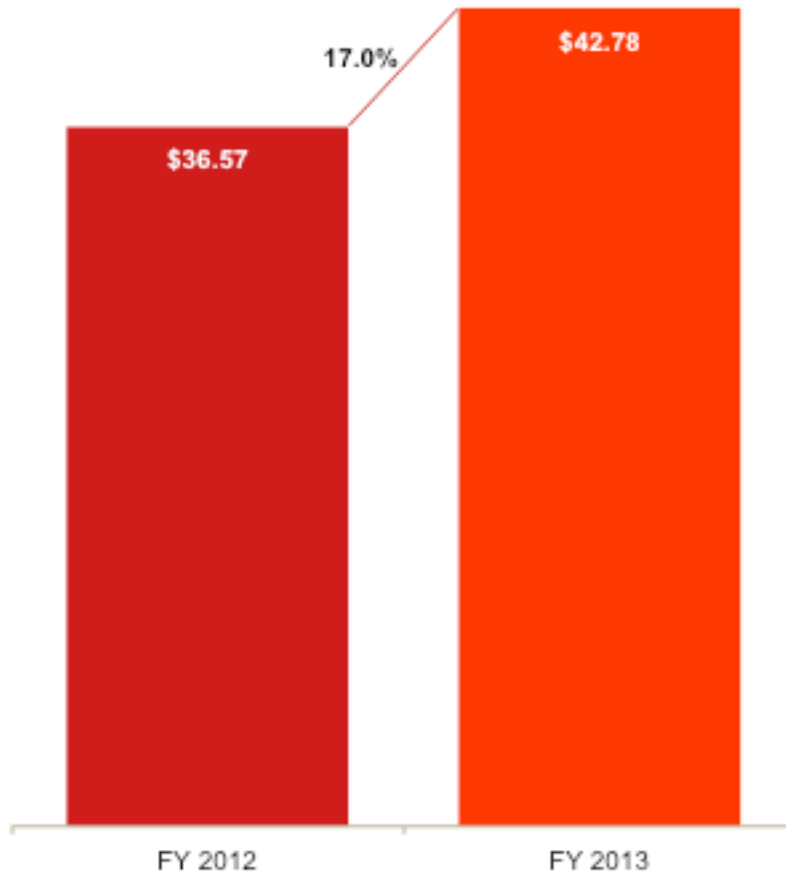
“Our survey confirms that we are fully in transition to the post-desktop era. Triple-digit advertising revenue growth from mobile devices contrasted the more tepid 8% growth from traditional computer screens. This is simply a reflection of the change in how and where consumers are viewing their information -- on the go!”

— David Silverman, Partner,

PwC

Annual revenues show strong growth

2012 vs. 2013, in billions



Annual revenues for 2013 totaled \$42.8 billion, \$6.2 billion (or 17.0%) higher than in 2012.

Source: IAB/PwC Internet Ad Revenue Report, 2013

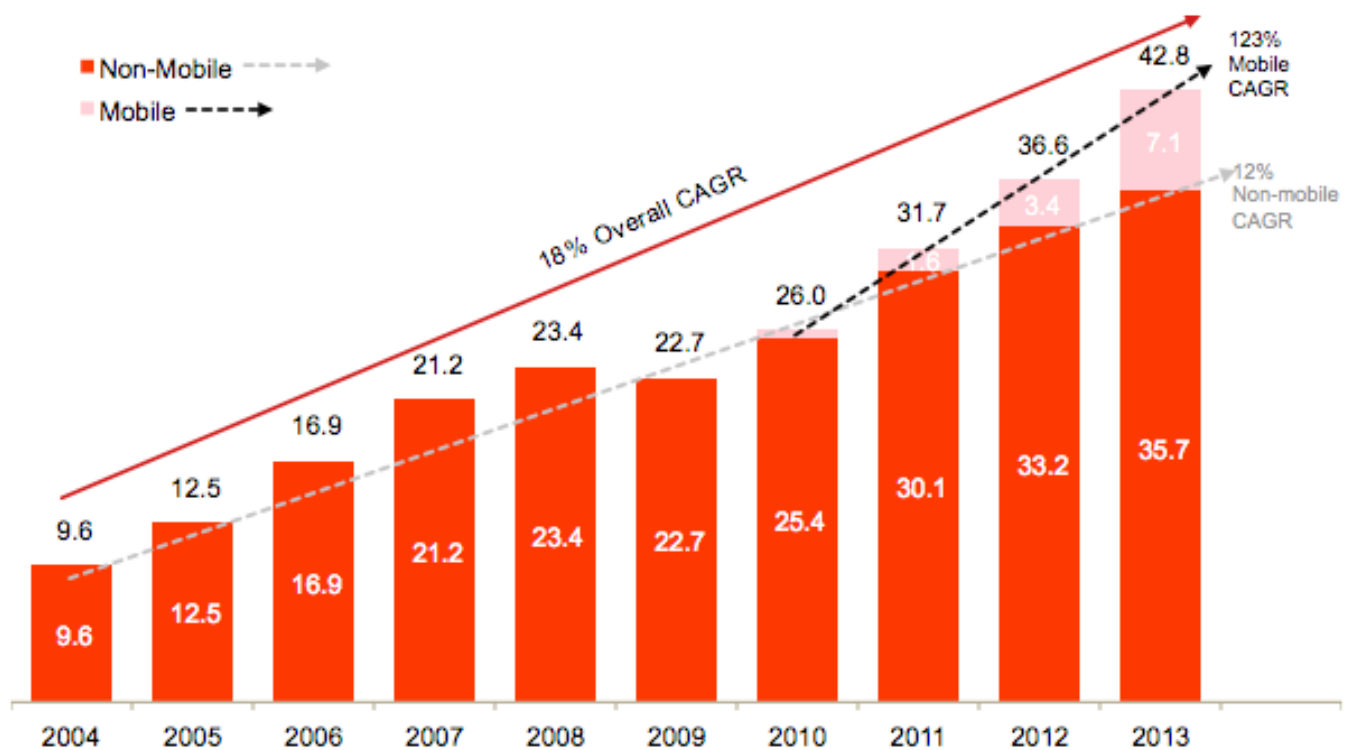
Historical annual revenue trends

Revenue continues strong growth in 2013

2013 annual revenues increased on a year-over-year percentage and dollar basis. The compound annual growth rate (CAGR) over the past ten years for internet advertising of 18% has outpaced U.S. current dollar GDP growth of 4%* over that period.

Since 2010, internet advertising growth was fueled by a 123% CAGR in Mobile (compared to 12% growth in non-Mobile revenue).

Annual revenue 2004-2013 (\$ billions)



Source: IAB/PwC Internet Ad Revenue Report, 2013

* Source for GDP growth: U.S. Bureau of Economic Analysis, "[Table 1.1.5. Gross Domestic Product](#)," (accessed March 31, 2013)

Historical data findings

Annual and quarterly revenue growth

	Revenue (in mil)	Q/Q Growth	Y/Y Growth
Q1 2002	\$1,520	-7%	-19%
Q2 2002	\$1,458	-4%	-21%
Q3 2002	\$1,452	-1%	-18%
Q4 2002	\$1,580	9%	-4%
Total 2002	\$6,010		-16%
Q1 2003	\$1,632	3%	7%
Q2 2003	\$1,660	2%	14%
Q3 2003	\$1,793	8%	24%
Q4 2003	\$2,182	22%	38%
Total 2003	\$7,267		21%
Q1 2004	\$2,230	2%	37%
Q2 2004	\$2,369	6%	43%
Q3 2004	\$2,333	-2%	30%
Q4 2004	\$2,694	15%	24%
Total 2004	\$9,626		33%
Q1 2005	\$2,802	4%	25%
Q2 2005	\$2,985	7%	26%
Q3 2005	\$3,147	5%	35%
Q4 2005	\$3,608	15%	34%
Total 2005	\$12,542		30%
Q1 2006	\$3,848	7%	37%
Q2 2006	\$4,061	6%	36%
Q3 2006	\$4,186	3%	33%
Q4 2006	\$4,784	14%	33%
Total 2006	\$16,879		35%
Q1 2007	\$4,899	2%	27%
Q2 2007	\$5,094	4%	25%
Q3 2007	\$5,267	3%	26%
Q4 2007	\$5,946	13%	24%
Total 2007	\$21,206		26%

	Revenue (in mil)	Q/Q Growth	Y/Y Growth
Q1 2008	\$5,765	-3%	18%
Q2 2008	\$5,745	0%	13%
Q3 2008	\$5,838	2%	11%
Q4 2008	\$6,100	4%	2%
Total 2008	\$23,448		11%
Q1 2009	\$5,468	-10%	-5%
Q2 2009	\$5,432	-1%	-5%
Q3 2009	\$5,500	1%	-6%
Q4 2009	\$6,261	14%	3%
Total 2009	\$22,661		-3%
Q1 2010	\$5,942	-5%	9%
Q2 2010	\$6,185	4%	14%
Q3 2010	\$6,465	5%	18%
Q4 2010	\$7,449	15%	19%
Total 2010	\$26,041		15%
Q1 2011	\$7,264	-2%	22%
Q2 2011	\$7,678	6%	24%
Q3 2011	\$7,824	2%	21%
Q4 2011	\$8,970	15%	20%
Total 2011	\$31,735		22%
Q1 2012	\$8,307	-7%	14%
Q2 2012	\$8,722	5%	14%
Q3 2012	\$9,236	6%	18%
Q4 2012	\$10,307	12%	15%
Total 2012	\$36,570		15%
Q1 2013	\$9,806	-5%	18%
Q2 2013	\$10,260	5%	18%
Q3 2013	\$10,609	3%	15%
Q4 2013	\$12,106	14%	17%
Total 2013	\$42,781		17%

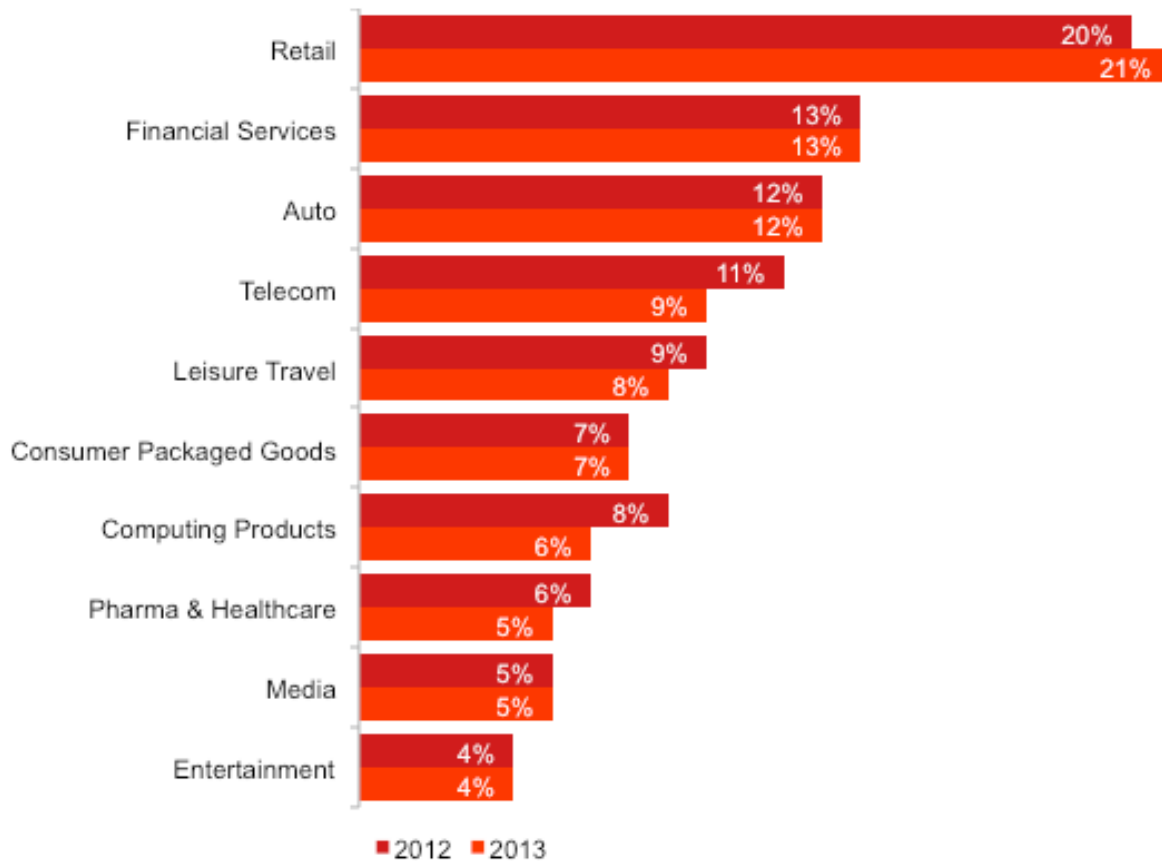
Ad revenues by industry category

Retail drives advertising, as dollars shift to digital

- - Retail advertisers continue to represent the largest category of internet ad spending, accounting for 21% of total revenues in FY 2013, up from the 20% reported in FY 2012.
 - Financial Services advertisers accounted for 13% of revenues in FY 2013, consistent with the 13% reported in FY 2012.
 - Automotive advertisers accounted for 12% of revenues in FY 2013, consistent with the 12% of total reported in FY 2012.
 - Telecom companies accounted for 9% of revenues in FY 2013, down from the 11% reported in FY 2012.
 - Leisure Travel (airfare, hotels, and resorts) accounted for 8% of revenues in FY 2013, down from the 9% of revenues reported in FY 2012.
 - Consumer Packaged Goods represented 7% in FY 2013, consistent with the 7% reported in FY 2012.
 - Computing products advertisers represented 6% of revenues in FY 2013, down from the 8% reported in FY 2012.
 - Pharmaceutical/Healthcare accounted for 5% in FY 2013, down from the 6% of revenues reported in FY 2012.
 - Media accounted for 5% in FY 2013, consistent with the 5% reported in FY 2012.
 - Entertainment accounted for 4% of FY 2013 revenues, consistent with the 4% reported in FY 2012.

Industry advertising – year-over-year comparison

Internet ad revenues by major industry category*, year to date: 2012 vs. 2013



Source: IAB/PwC Internet Ad Revenue Report, 2013

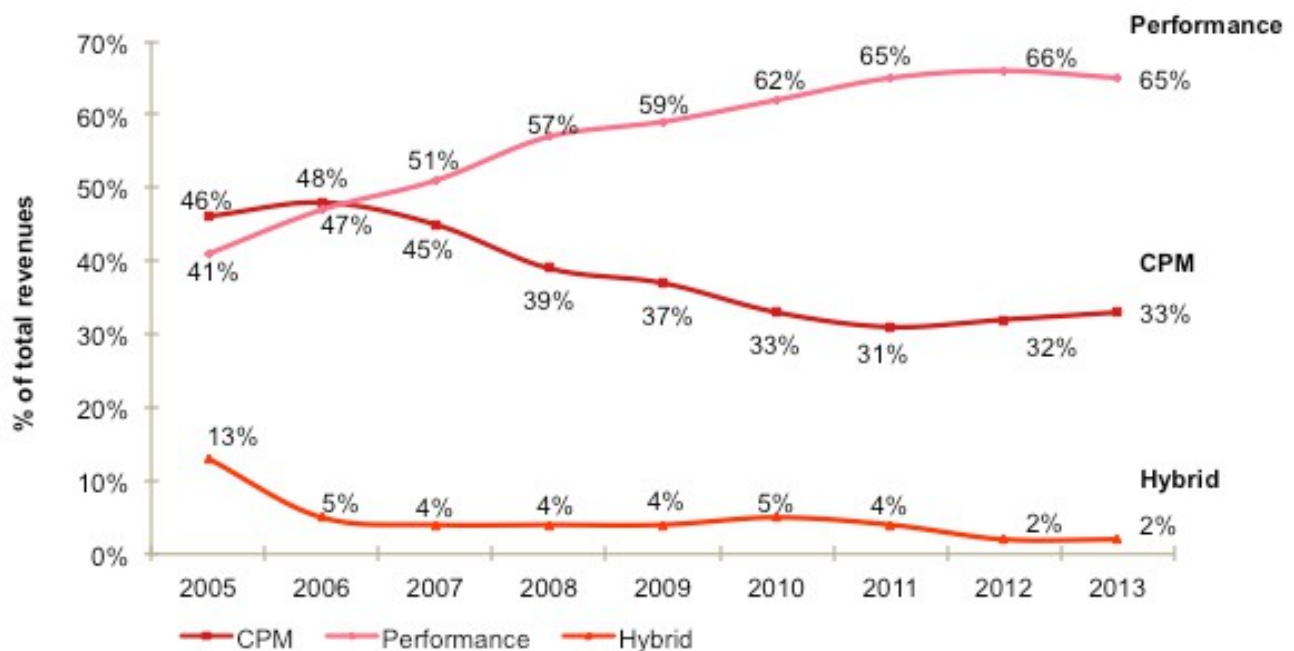
* Industry category definitions may have changed over the time period depicted, both within the survey process and as interpreted by survey respondents. Amounts do not total to 100% as minor categories are not displayed.

Historical pricing model trends

Performance-based pricing remains the preferred model

- Performance-based pricing, the leading pricing model since 2006, declined slightly to 65% of total revenue in 2013 from 66% in 2012.
- CPM/impression-based pricing gained in 2013, up to 33% of revenues from 32% in 2012. At 33% of total revenues, CPM is at its highest point since 2010.
- Hybrid pricing remained at 2% of total revenues in 2013, consistent with the 2% reported in 2012.

Internet ad revenues by pricing model*



Source: IAB/PwC Internet Ad Revenue Report, 2013

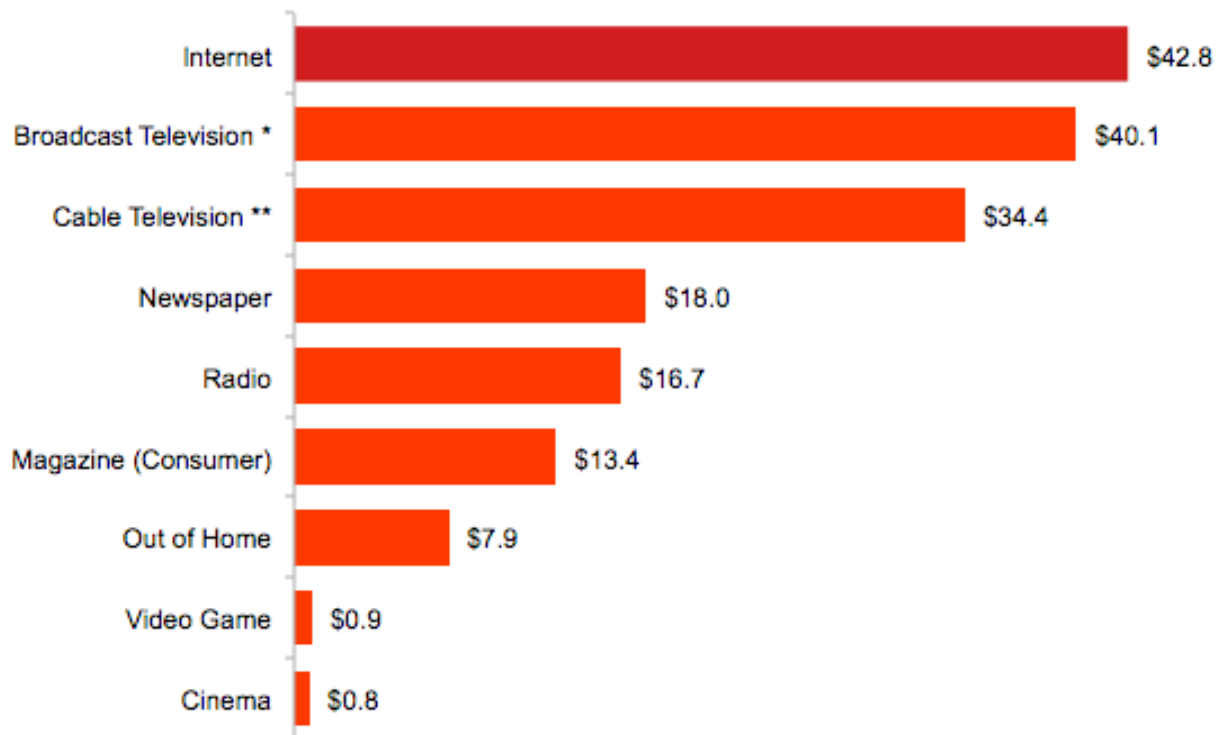
- * Pricing model definitions may have changed over the time period depicted both within the survey process and as interpreted by survey respondents.

Advertising market share by media

Internet advertising surpassed Broadcast Television* advertising revenue in 2013

- Internet has continued to grow in share and significance when compared to other U.S. ad-supported media.† Internet advertising revenue now represents 57% of all Television (Broadcast and Cable) advertising.
 - In 2013, Internet advertising exceeded Broadcast Television.*
 - In 2011, Internet advertising surpassed Cable Television.**

Advertising revenue market share by media - 2013 (\$ billions)



Sources: IAB/PwC Internet Ad Revenue Report, 2013; PwC

† The total U.S. advertising market includes other segments not charted here.

* Broadcast Television includes Network and Syndicated and Spot television advertising revenue.

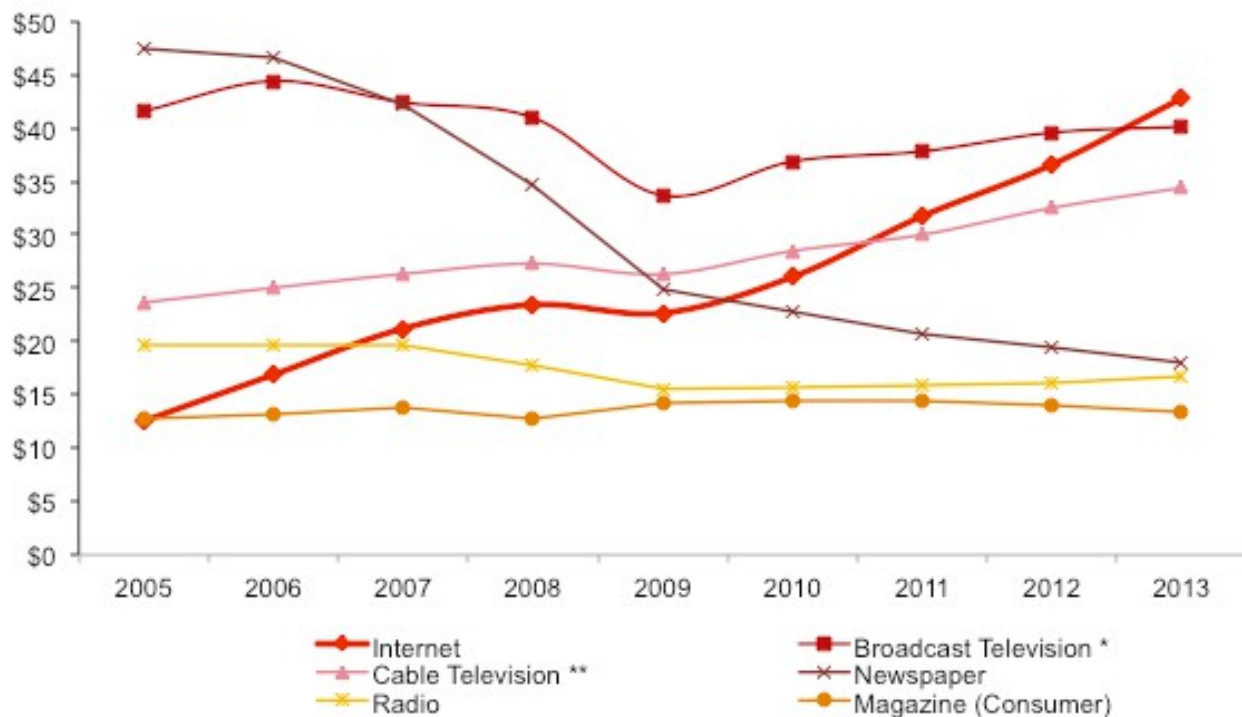
** Cable Television includes National Cable Networks and Local Cable television advertising revenue.

Historical advertising market share

Internet advertising revenue growth outpaces other media outlets over the past nine years

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- Two forms of media have positive compound annual growth rates (CAGR) between 2005 through 2013: Cable Television at 4.8% and Internet at 16.6%.
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- In every year since 2005, the annual growth rates of Internet advertising have exceeded those of other advertising media. Internet advertising has experienced double-digit annual growth in every year except 2009; no other media has experienced double-digit growth in any year.
-

Advertising revenue market share by media, 2005-2013 (\$ billions)



Sources: IAB/PwC Internet Ad Revenue Report, 2013; PwC

* Broadcast Television includes Network, Syndicated and Spot television advertising revenue.

** Cable Television includes National Cable Networks and Local Cable television advertising revenue.

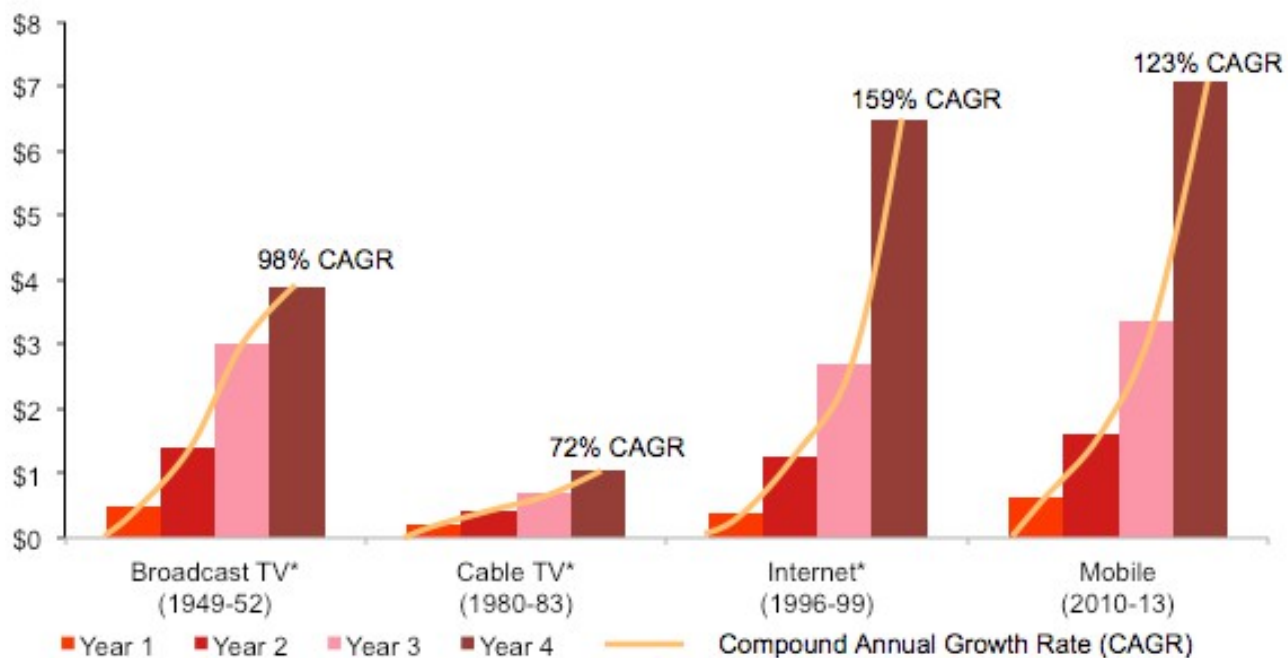
Historical advertising growth of media

While Mobile's growth over the past four years is impressive, the Internet fared even better in its early years

- During the first four years of Broadcast TV, Cable TV, Internet, and Mobile, all media experienced tremendous advertising revenue growth.

While over time Cable TV has emerged as a major advertising medium, due to the capital intensive nature of the rollout and reliance on subscription fees, advertising revenue growth rates while impressive were not on par with the other media

Comparative U.S. advertising media annual ad revenue growth for first 4 years (\$ billions)



Sources: IAB/PwC Internet Ad Revenue Report, 2013; McCann-Erickson

* Adjusted for Inflation

Appendix

Definitions of leading industry categories

The industry categories used in the "IAB Internet Advertising Revenue Report" were sourced from the North American Standard Industrial Classification (SIC) Manual.[†]

Retail	
Automotive	Includes all automotive-related categories including sale/purchase of vehicles and parts and maintenance.
Entertainment	Includes film, music, TV, box office, video games, and amusement & recreation.
Consumer packaged goods	Includes packaged goods, food products, household products, and tobacco.
Leisure travel	Includes travel, hotel, airlines, and resorts.
Computing products	Includes hardware (computers, computer storage devices, and computer peripheral equipment), consumer electronics, prepackaged software (operating, utility, and applications programs), local area network systems and network systems integration, computer processing, and data preparation and data processing services.
Financial Services	Includes commercial banks, credit agencies, personal credit institutions, consumer finance companies, loan companies, business credit institutions, and credit card agencies. Also includes companies engaged in the underwriting, purchase, sale, or brokerage of securities and other financial contracts.
Telecommunications	Includes point-to-point communications services, including cellular phone services, paging services, wireless internet access, and wireless video services. Includes multichannel video providers on a subscription fee basis (e.g., cable television, wireless cable television, and direct broadcast satellite services).
Pharmaceutical & Healthcare	Includes pharmaceutical products, facilities, services, researchers, and biological products. Also comprises establishments providing healthcare and social assistance for individuals as well as personal care, toiletries, and cosmetic products.
Media	Includes establishments primarily engaged in radio and television broadcasting (network and station) including commercial, religious, educational, and other radio or television stations. Also includes establishments primarily engaged in publishing newspapers, periodicals, and books.
