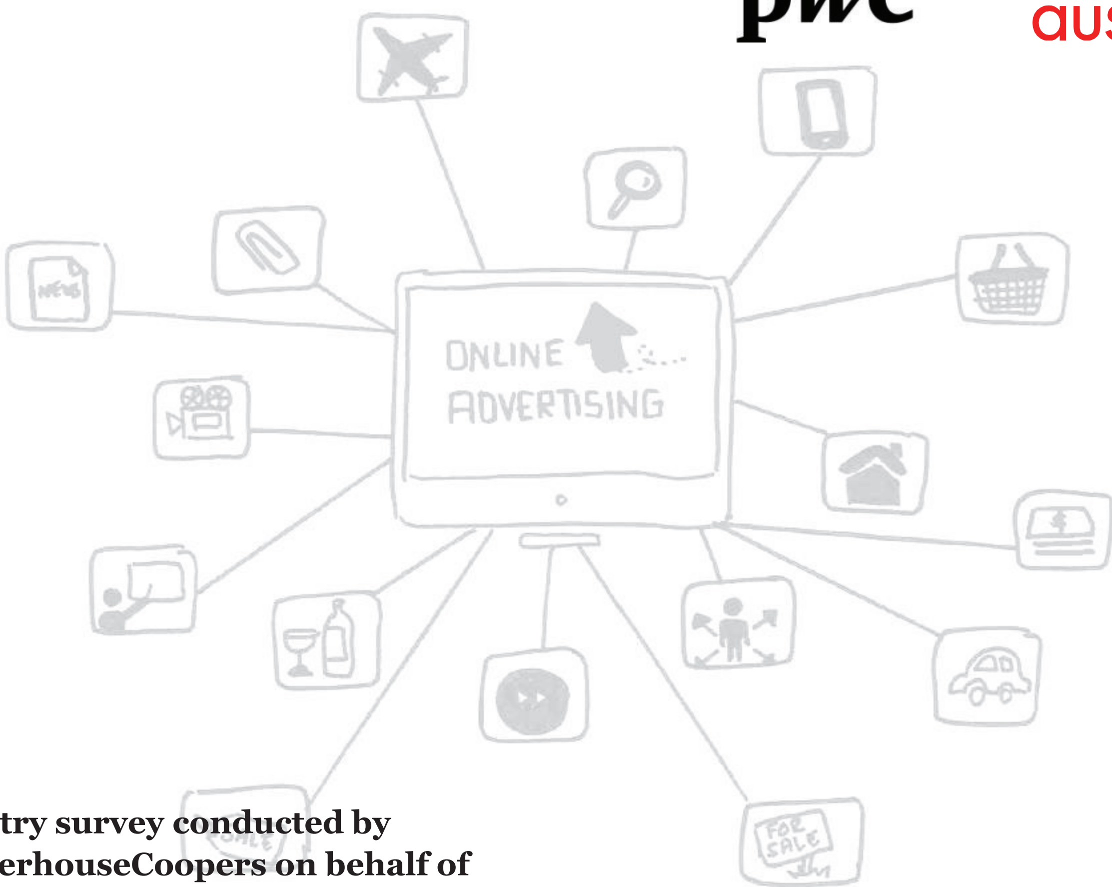
PricewaterhouseCoopers
IAB Online Advertising Expenditure Report

Quarter ended 31 December 2013
Report released: 24 February 2014



An industry survey conducted by PricewaterhouseCoopers on behalf of the Interactive Advertising Bureau Australia

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Background

Welcome to the IAB Online Advertising Expenditure Report (OAER or Report). This December Quarter 2013 report of online advertising expenditure in the Australian marketplace has been prepared by PricewaterhouseCoopers (PwC) on behalf of the Interactive Advertising Bureau Australia (IAB).

About the IAB Online Advertising Expenditure Report

The OAER provides an opportunity for stakeholders interested in the size of the online advertising market to access independently collated data about the state of online advertising expenditure in Australia. The online advertising markets reported in the OAER comprise expenditure on General Display advertising, Classifieds advertising, Search and Directories advertising, Mobile advertising, Video advertising and Email advertising.

Data and information reported directly to PwC by online advertisement selling companies representing over 1,000 web sites has been aggregated in this Report and is the only online industry sponsored and supported measurement of online advertising expenditure in Australia.

The survey is conducted and this report is prepared independently by PwC on behalf of the IAB; only aggregate results are published. PwC does not audit the information and provides no opinion or other form of assurance with respect to the information. Certain checks of submitted data are made – refer to the Report Scope, Methodology and Format section of Appendix B for more information. Individual company information is held in strict confidence with PricewaterhouseCoopers.

The list of contributors is disclosed in the Appendix.

Approach

This Report has been prepared under the "New Approach" introduced in the June Quarter 2012 OAER. In summary, the data collected from industry participants has been supplemented by:

- Estimates for Google display, video, and mobile advertising as well as estimates for Facebook display and mobile advertising;
- A refinement of prior methodology used for estimating Google search; and
- Historical mobile advertising data collected from industry participants from March Quarter 2011 and combined with estimated Google and Facebook mobile advertising, to provide a picture of the aggregated mobile advertising market and the growth trends.

Comparative data for the period from September Quarter 2010 has been restated to be consistent with the above methodology changes. Further details regarding scope and methodology are provided in the Report Scope, Methodology and Format section of Appendix B to this Report.

From time to time, estimated expenditures are updated as new information and data sources become available. This may cause a series break in the data and should be taken into account when considering historical trends.

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20 February 2014

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The Quarter at a Glance

Total online advertising achieved double digit growth year on year in the December Quarter 2013

General Display and Search and Directories experienced double digit growth compared to the same quarter in the prior year (Figure 3). Online advertising expenditure compared to the previous quarter increased across the General Display and Search and Directories categories but declined in the Classifieds category (Figure 4).

Figure 3: Online advertising expenditure compared to prior comparative quarter (December Quarter 2012)

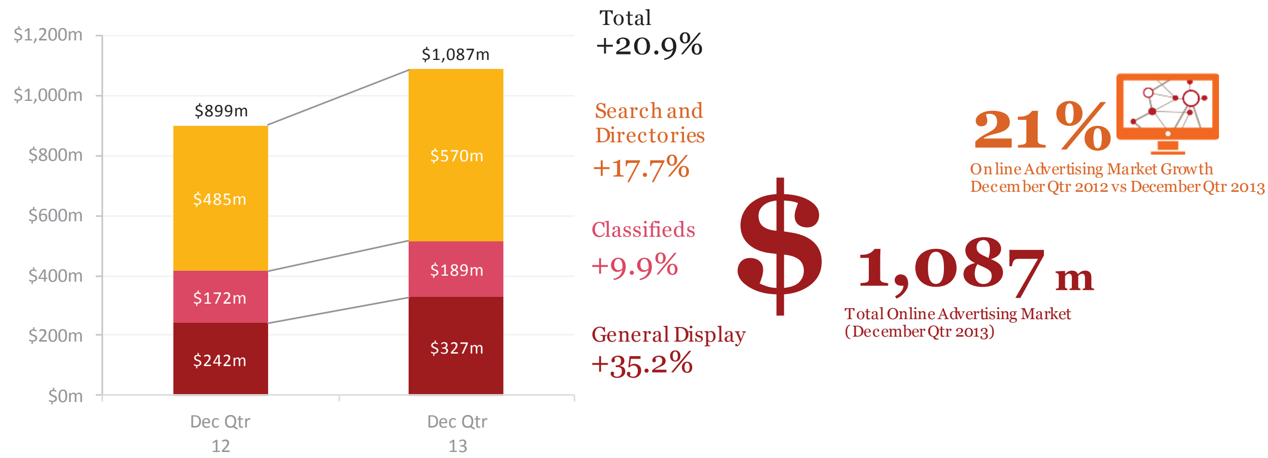
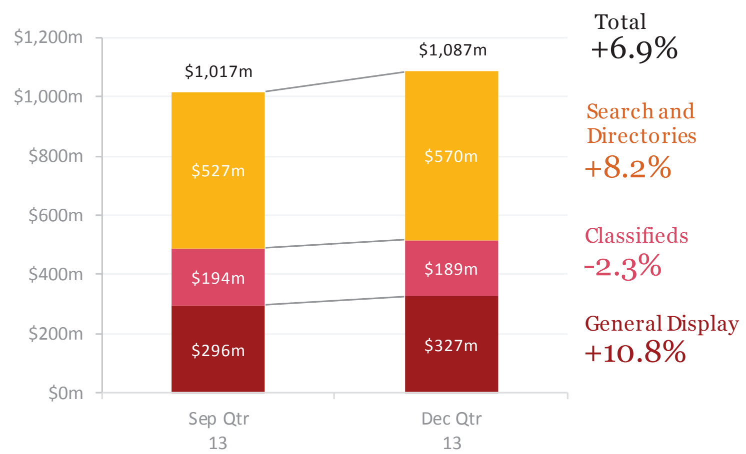


Figure 4: Online advertising expenditure compared to immediate prior quarter (September Quarter 2013)



Executive Summary

Key trends in the three months ended 31 December 2013

Online Advertising Market worth over $1 billion in December Quarter 2013

Overall online advertising grew 6.9% from the prior quarter to reach $1,087 million in the December Quarter 2013. Year on year growth in the Online Advertising Market in the December Quarter 2013 was 20.9%.

General Display gains format share

General Display reached its highest format share in the last two years. However, the Search and Directories segment still makes up the biggest portion (52.5%) of total online advertising expenditure with $570.4 million in advertising expenditure this quarter. This was followed by General Display (30.1%) and Classifieds (17.4%).

Mobile advertising continues to grow

Mobile advertising is becoming an increasingly important component of online advertising expenditure. In the December Quarter 2013:

- Mobile advertising expenditure grew 41% to $156.0 million, representing 14.3% of total online advertising expenditure
- Mobile Display made up 19.5% of total General Display expenditure
- Mobile Search made up 16.1% of total Search and Directories expenditure.

41%

Growth in mobile advertising expenditure
December Qtr 2012 vs December Qtr 2013

$156m

Total mobile advertising expenditure
December Qtr 2013

Video advertising becomes an increasingly important component of General Display

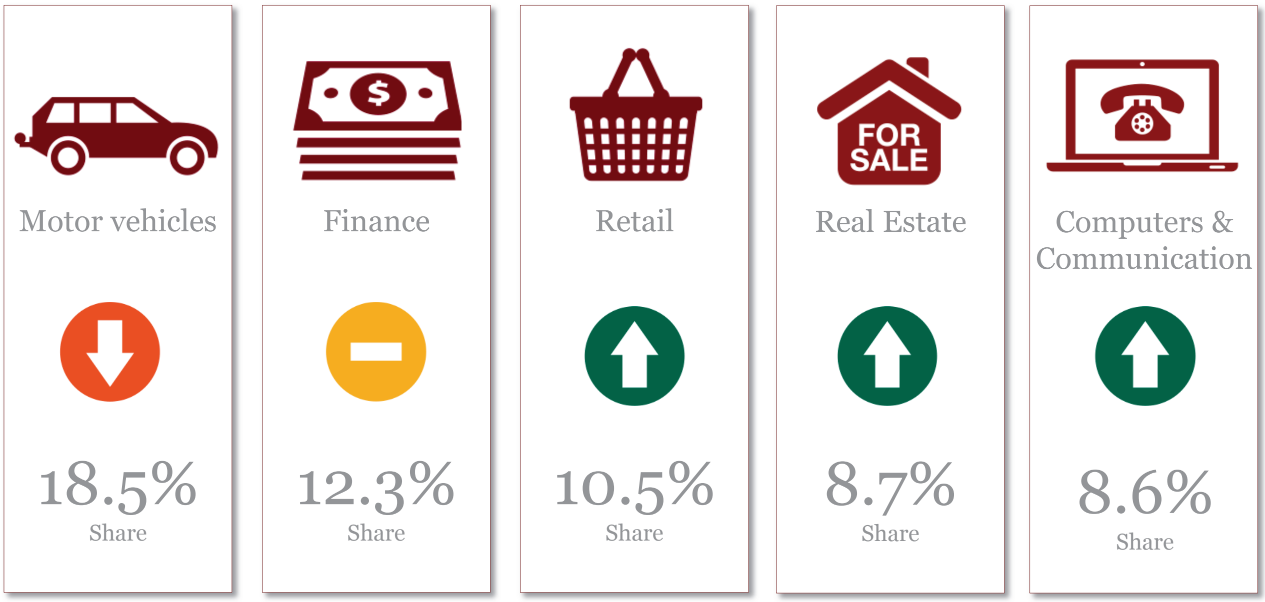
Video advertising for the December Quarter 2013 was $49.0 million. This was an increase of $5.9 million (or 13.8%) on the prior quarter and $20.5 million (or 72.0%) on the December Quarter 2012.

Video is becoming an increasingly important component of General Display. Video advertising expenditure as a proportion of General Display advertising expenditure has almost doubled from around 8% in the December Quarter 2011 to 15% two years later in the December Quarter 2013.

Retail enjoys its strongest quarter so far

Motor Vehicles, Finance, and Retail were the top three dominant General Display industry categories in the December Quarter 2013, representing 41.3% of the reported General Display advertising market.[3] This was up from 40.2% in the December Quarter 2012.

Retail was a big mover this quarter, increasing its category share from 8.8% in the December Quarter 2012 to 10.5% in the December Quarter 2013. This has been the strongest quarter for retail category share since the commencement of industry category data collection in 2008. The strength of the retail industry category for General Display advertising this quarter was also reflected in the greater retail movements in the market. Shoppers spent a record $67.4 billion in the December Quarter 2013, compared to $64.4 billion in the same quarter of 2012.[4]



Note: Symbols indicate the direction of the change in share from the prior December Quarter 2012. An increase or decrease is defined as percentage point movement greater than +/- 0.5%.

[3] Reported General Display market refers to General Display expenditure reported by survey contributors and therefore excludes Facebook and Google General Display advertising.
[4] ABS Cat. No. 8501.0 - *Retail Trade, Australia, Dec 2013*, seasonally adjusted series, available online at http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8501.0Dec%202013