App Inventory

Programmatic's Diamond in the Rough



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15 Billion

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To put $15 billion in perspective, it's …



… **10X the largest Powerball jackpot** in US history ($1.5 billion, Jan. 2016)



… **59X the tax returns** the US government expects to be filed this year (uh, by EOD tomorrow)

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15.45 Billion

The amount eMarketer predicts US advertisers will spend programmatically to serve mobile display ads in 2016

Source: eMarketer, April 2016.

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The Big Picture



Channel Trends



The App Opportunity

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15.45 Billion

The amount eMarketer predicts US advertisers will spend programmatically to serve mobile display ads in 2016

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eMarketer's definition of programmatic:

An **automated, technology-driven** method of **buying, selling or fulfilling** advertising.

What's accounted for?

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All major methods

of transacting or fulfilling digital display ads

via an API

fall under the "automation" umbrella, including

everything from publisher-erected APIs

(common with social media and ad networks)

to more standardized RTB technology.

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In the context of US advertising, the $15.45 billion in mobile programmatic spending is …



… $1.33 billion **more than traditional radio** ad spending in 2016



… $1.68 billion **more than newspaper** ad spending

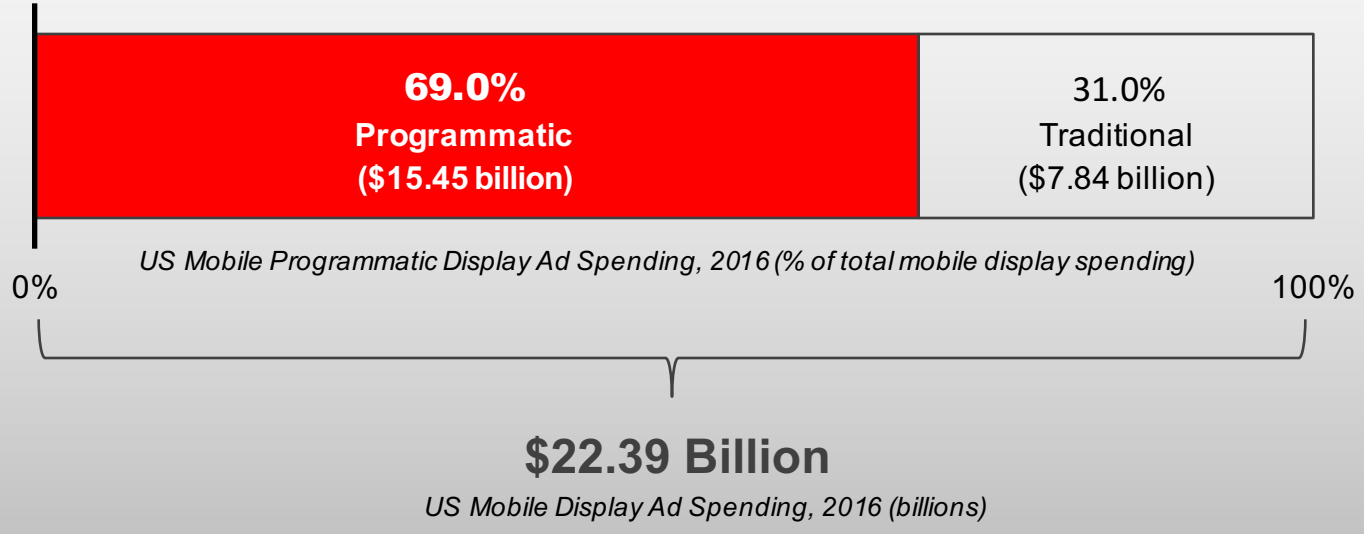


… $2.48 billion **more than magazine** ad spending

Source: eMarketer, April 2016.

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$15.45 billion represents more than two-thirds of mobile display ad spending in 2016



Source: eMarketer, March and April 2016

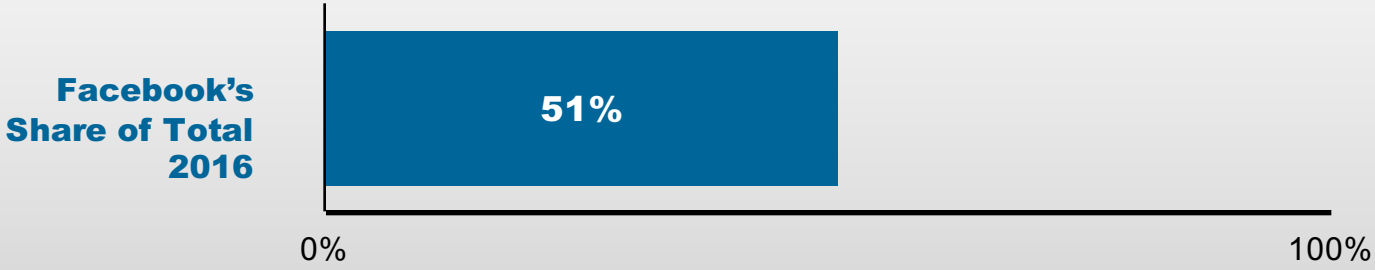
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Let’s talk about the elephant in the room …



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eMarketer projects the bulk of mobile programmatic ad dollars will flow to Facebook this year



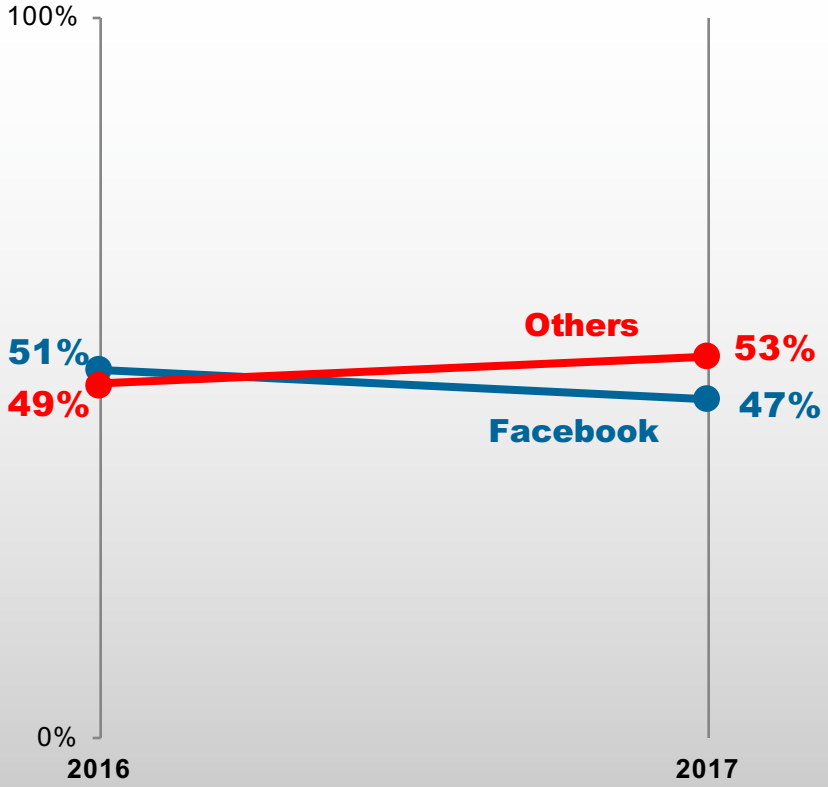
Facebook Share of US Mobile Programmatic Display Ad Spending, 2016
(% of total mobile programmatic display ad spending)

But the scales are expected to tip next year

Source: eMarketer, April 2016.

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As more in-app inventory transacts programmatically next year, eMarketer expects the majority of mobile programmatic ad dollars to be spent outside of Facebook



Share of US Mobile Programmatic Display Ad Spending, by Source, 2016 (% of total mobile programmatic display ad spending)

Source: eMarketer, April 2016.

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The Big Picture

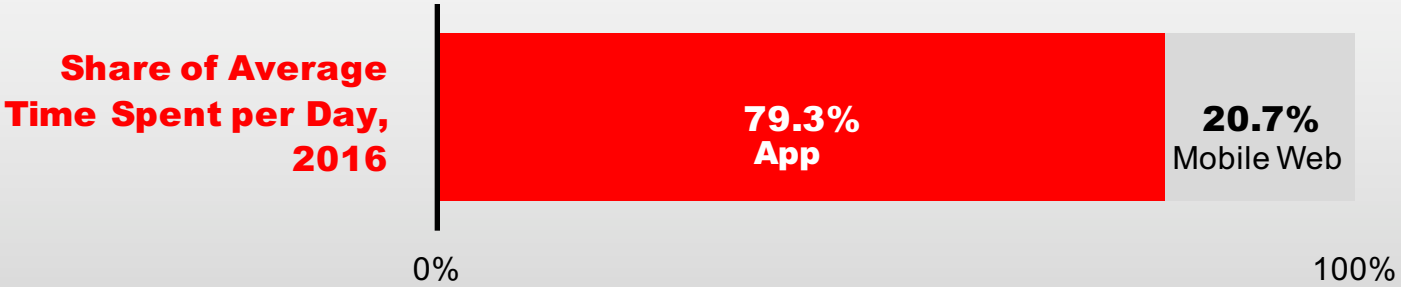


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Mobile users spend the majority of their time using apps; web visits are frequent but fleeting

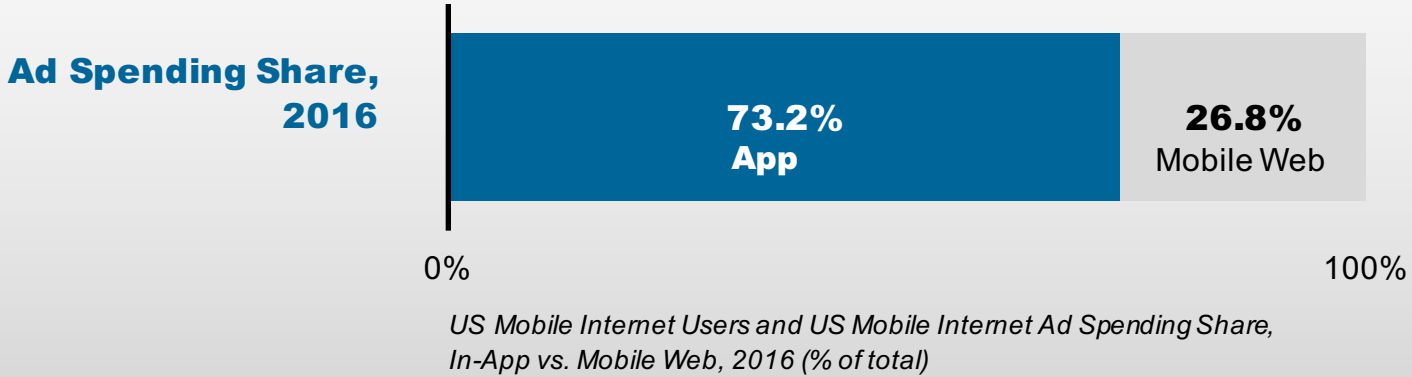


Share of Average Time Spent per Day by US Mobile Internet Users, In-App vs. Mobile Web, 2016 (% of total)

Source: eMarketer, April 2016

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On the whole*, the bulk of ad dollars in the US are spent to serve in-app ads



US Mobile Internet Users and US Mobile Internet Ad Spending Share, In-App vs. Mobile Web, 2016 (% of total)

* Mobile search and display are taken into account here, as are traditional and programmatic methods of buying and selling mobile ads

Source: eMarketer, April 2016
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But mobile web has been playing a more dominant role in programmatic environments



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Three trends explain why:

1. **A larger volume of mobile web impressions are bought/sold compared with in-app impressions.**
    - Of the mobile inventory bought programmatically in 2016, estimates range from **70% to 85% of it being mobile web**

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Three trends explain why:

1. A larger volume of mobile web impressions are bought/sold compared with in-app impressions.

2. **The composition of inventory skewed toward mobile web. But that's changing.**
   - In 2016, estimates range from a **50/50 share between in-app and mobile web** impressions to a **70/30 skew toward in-app** impressions.

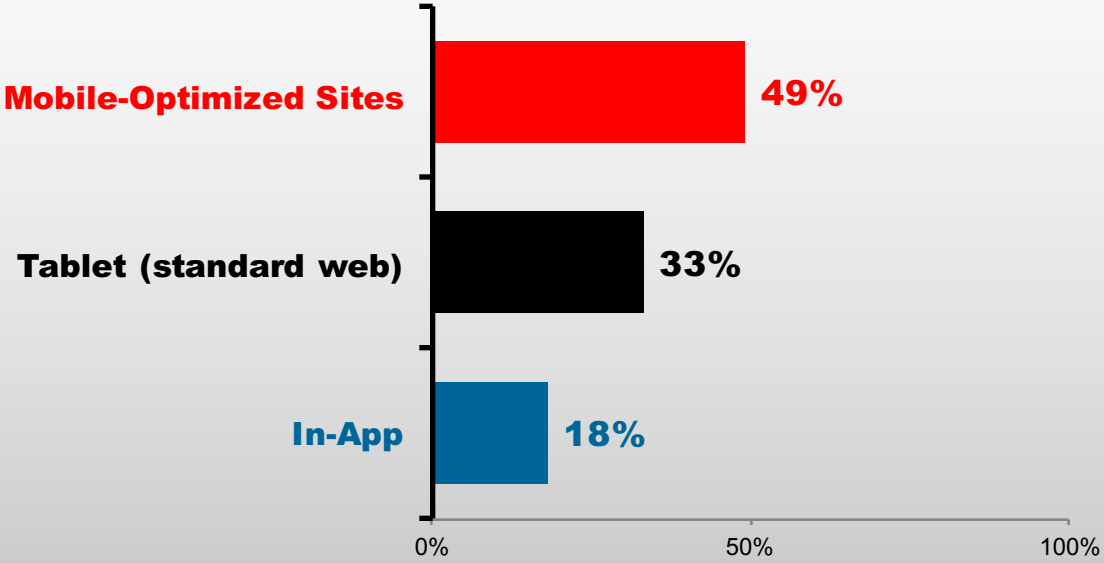
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Three trends explain why:

1. A larger volume of mobile web impressions are bought/sold compared with in-app impressions.
2. The composition of inventory skewed toward mobile web. But that's changing.
3. **The total spent on mobile web exceeded in-app spending totals. But that's changing, too.**
   - Q1 2016 estimates showed a **near-equal split** between the total amount spent on in-app and mobile web impressions bought programmatically.

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In 2015, mobile websites generated half of total mobile revenue for North America media sellers



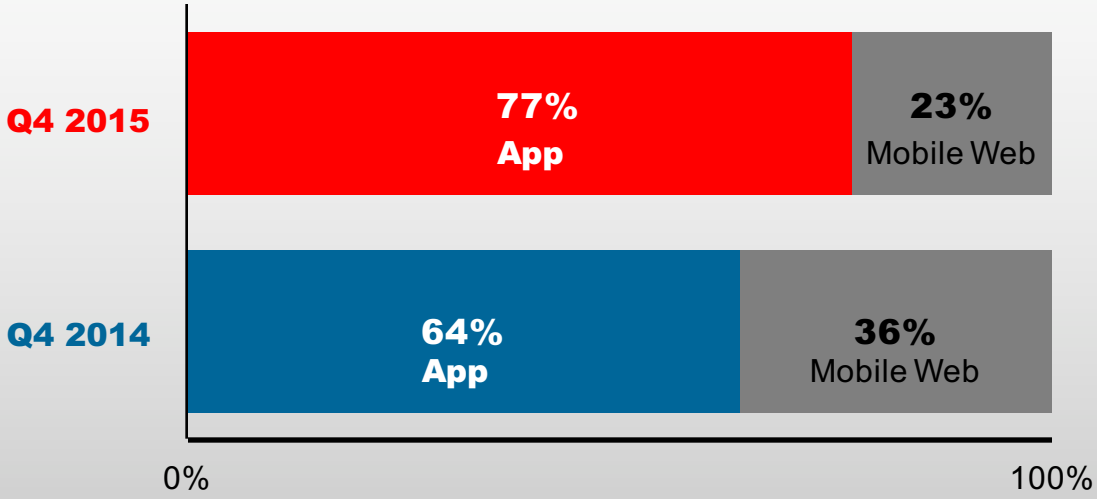
Mobile Ad Revenue Share According to North American Mobile Media Sellers, by Channel/Format, January 2014 (% of respondents)

Source: ExchangeWire and Rubicon Project, January 2016

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Conditions are different in mobile-only exchanges; apps lead the way in spending



Mobile Ad Spending Share Among Advertisers Worldwide using the Smaato Platform, In-App vs. Mobile Web, Q4 2015 and Q4 2014 (% of total spending in each quarter)

Source: Smaato, Q4 2015

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Three key factors have been working in favor of mobile web:

1. Many advertisers have "web-centric campaign" buying habits



"Advertisers are specifying web, not desktop or mobile.
So a lot of mobile web gets bought, and sometimes at higher CPMs [compared with desktop]."

—Evan Krauss, Vice President, Publisher Development, PubMatic

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2. Retargeting has been easier via mobile web



"Retargeting is still the number one play in the programmatic playbook, and **dropping a cookie and a tag to find someone later has been easier** than using app IDs and other probabilistic IDs."

—Matt Prohaska, CEO and Principal, Prohaska Consulting

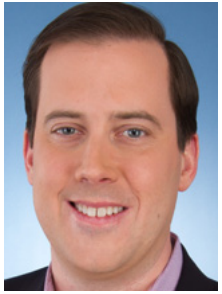
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3. Publishers' premium content has been more widely available via mobile web



"Companies vary on what they provide on the web vs. in app. News publishers and companies like Starbucks and Wal-Mart are pushing app development. But we're not seeing as much traction as we should."

—Beth Gilmore, Head of Global Demand, MoPub



"Trying different monetization solutions is **easier on mobile web because it works like web.** Apps require an SDK, which makes it harder."

—Jeremy Hlavacek, Vice President, Global Automated Monetization, The Weather Company

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But conditions are changing quickly



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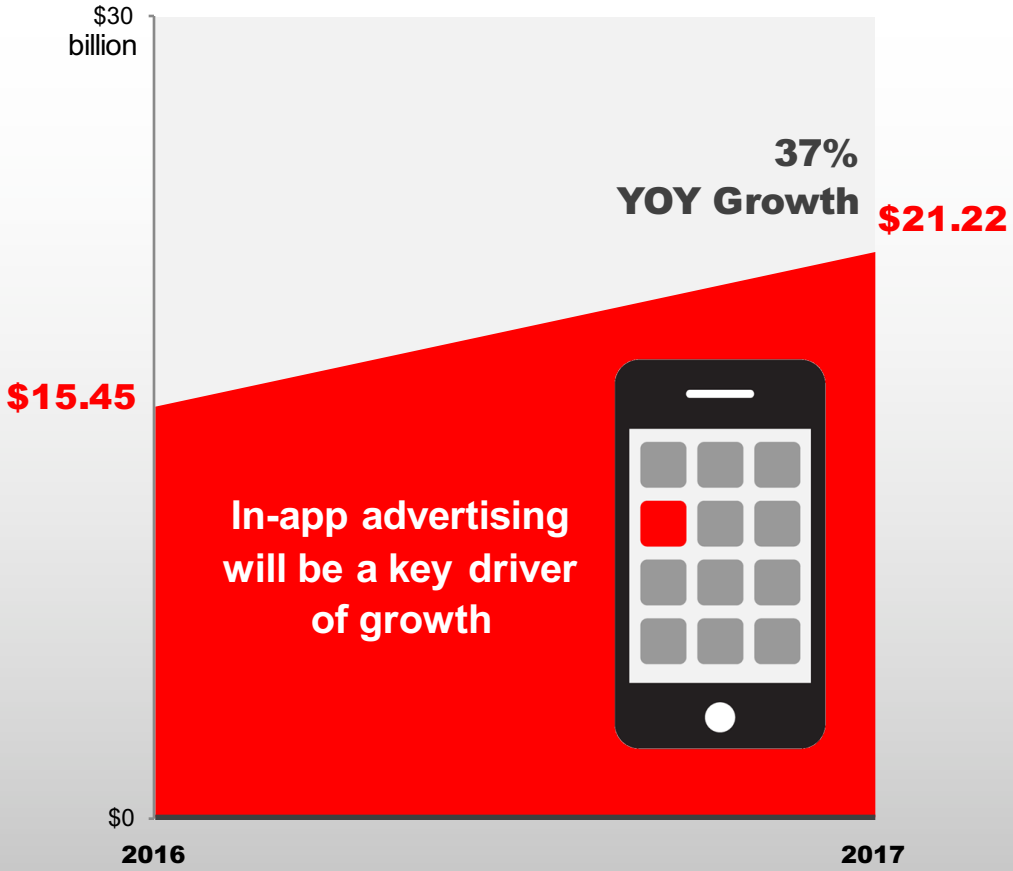
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$15.45 billion is expected to grow to $21.22 next year—a 37% YOY increase

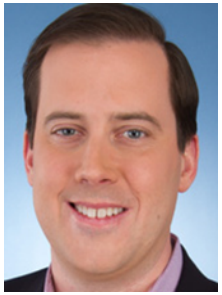


US Mobile Programmatic Display Ad Spending, 2016-2017 (billions and YOY % growth)

Source: eMarketer, April 2016.

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More premium publishers are selling in-app inventory programmatically



"All of our standard inventory is available for sale programmatically."

—Jeremy Hlavacek, Vice President, Global Automated Monetization, The Weather Company

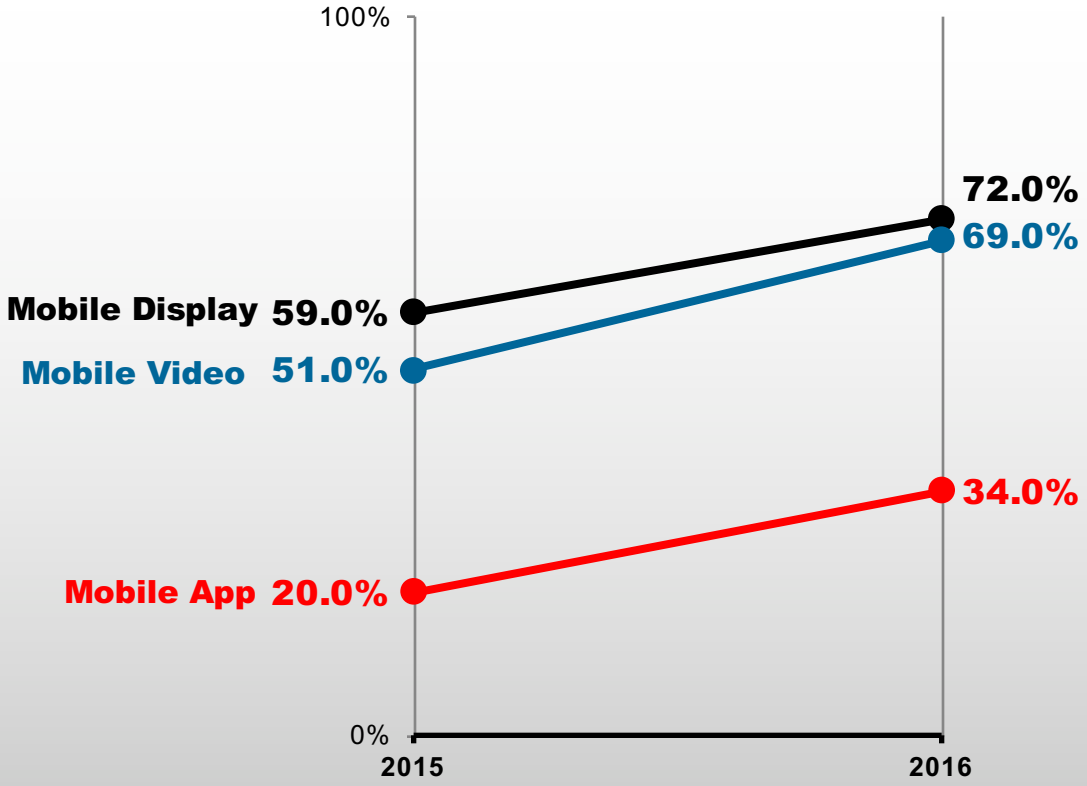


"The technology has improved and more people are going to **shift to mobile programmatic** this year."

—Heidi Browning, Senior Vice President, Strategic Solutions, Pandora

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Surveys indicate US marketers are more interested in buying mobile programmatically—including in-app inventory

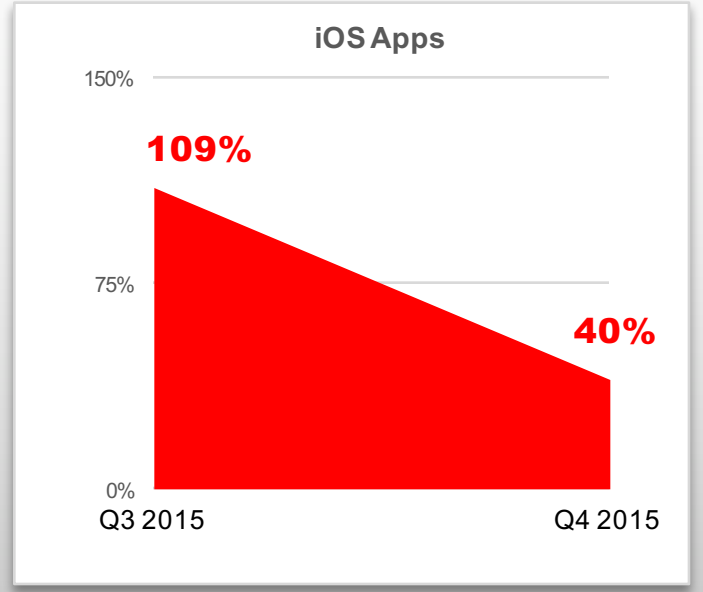


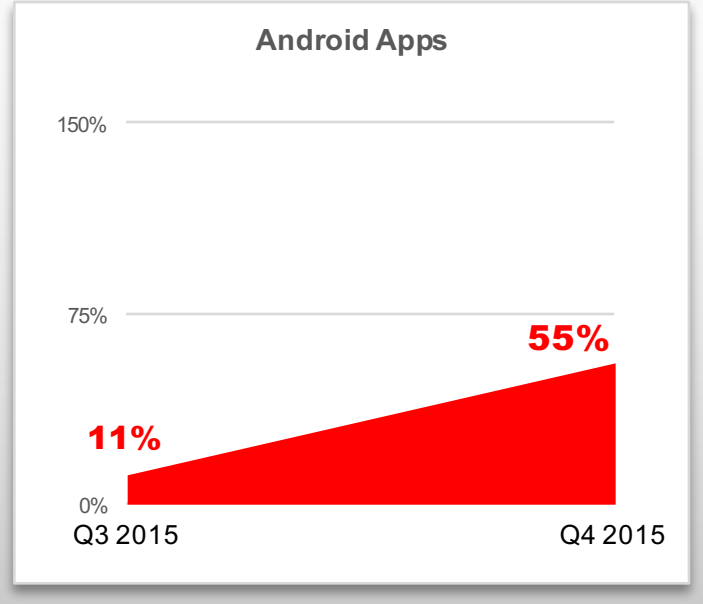
US Marketers Who Have Bought Mobile Ads Programmatically, by Format, 2015 and 2016 (% of respondents)

Source: Association of National Advertisers (ANA) and Forrester Consulting, 2016 Programmatic Media Buying Survey

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Average CPMs for in-app inventory bought programmatically are rising year-over-year



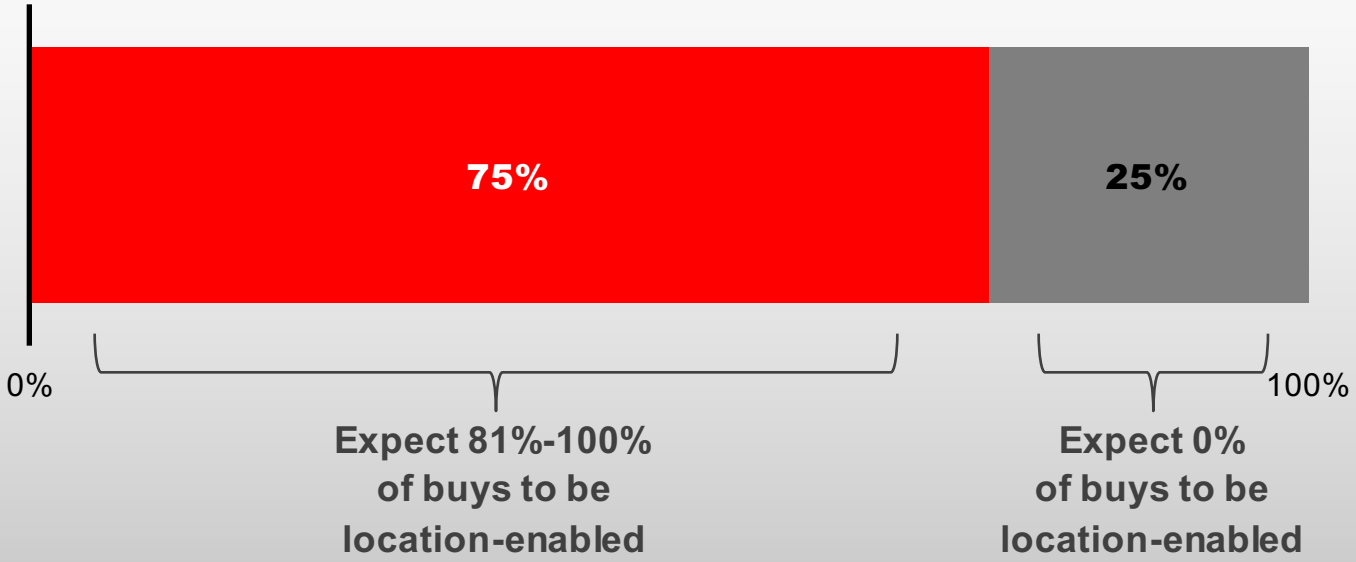


Percentage Change in Average Mobile CPM on PubMatic Platform, Q3 2015 and Q4 2015, Worldwide (% increase YOY for each quarter)

Source: PubMatic, Q3 2015 and Q4 2015

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Robust first-party device data—particularly location data—is drawing advertisers to apps



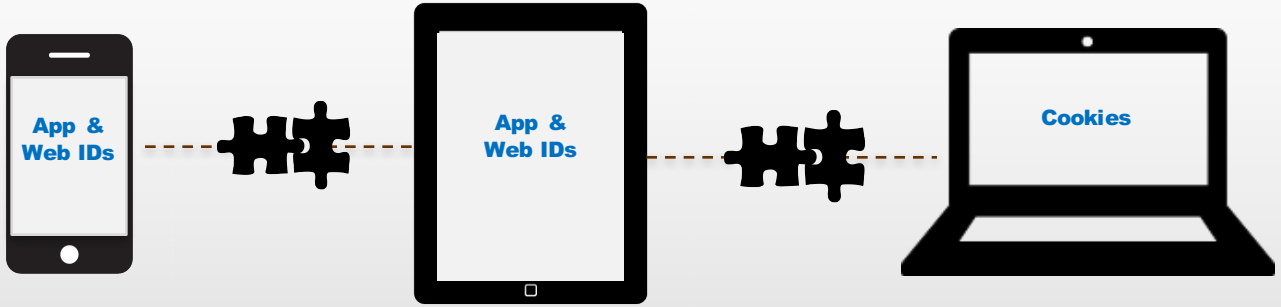
Percentage of Digital Agency Professionals Worldwide Who Expect to Buy Location-Enabled Mobile Ads, Jan 2016 (% of respondents and % of total buys)

Source: ExchangeWire and Rubicon Project, January 2016

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Methods used to identify and target ads to consumers across devices are improving





"We're seeing **accuracy rates in the 70% to 80% range**. They were in the 30% to 40% range a year or two ago."

—Matt Prohaska, CEO and Principal, Prohaska Consulting

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That's good news for advertisers looking to facilitate cross-channel programmatic buying

67%

Share of US media practitioners who said the **ability to buy inventory across channels** (e.g., mobile, desktop, etc.) **via a single platform was an important factor** when buying programmatically

Source: Advertising Age, RhythmOne and Advantage Business Research, October 2015.

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Improving ID match rates is critical for brands looking to find specific audiences in apps



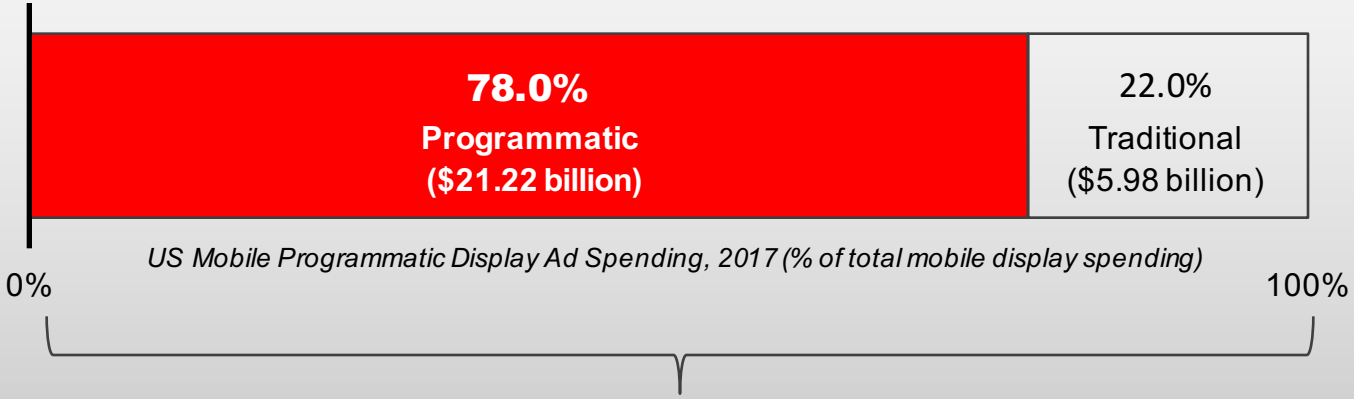
"This is so **key to getting more brands to scale their spend** in mobile apps. But we're still a couple of years out from completely solving the problem."

——*Beth Gilmore, Head of Global Demand, MoPub*

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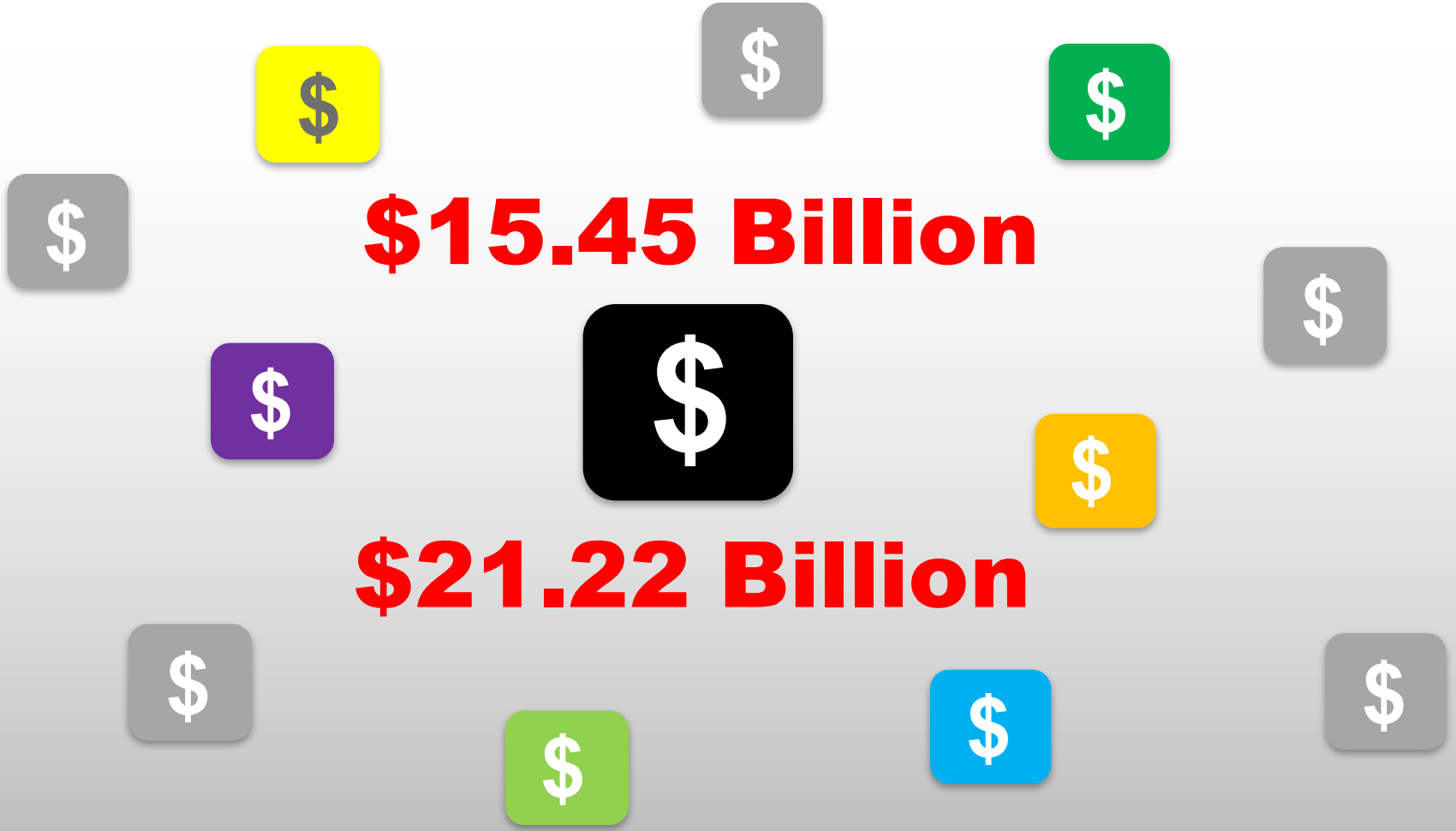
Still, these factors will push in-app and total mobile programmatic spending to record heights

Next year, nearly 80% of mobile display ads will be bought and sold programmatically, totaling $21.22 billion



Source: eMarketer, April 2016.

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Thank You



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