

The Q4 2008

AdPrice Index

The Original Online Ad Pricing Report

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By

PubMatic

The Q4 2008

AdPrice Index

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About PubMatic

PubMatic is an ad revenue optimization service. PubMatic provides more than 5,500 web publishers real-time ad optimization, which significantly increases revenue while simplifying ad network management. PubMatic works with hundreds of leading ad networks and has created thousands of new publisher/ad network relationships. PubMatic is venture backed by Draper Fisher Jurvetson, Nexus India Capital, and Helion Ventures.

For more information, please visit <http://www.pubmatic.com>.

About the PubMatic AdPrice Index Quarterly Report

If you would like to receive notice of when the latest PubMatic AdPrice Index Quarterly Report is released please sign up at <http://www.pubmatic.com/adpriceindex/>.

The PubMatic AdPrice Index is a quarterly survey comprised of over 5,000 websites, approximately 85% of which are based in the US. The PubMatic AdPrice Index is prepared by leading independent statisticians and industry experts:

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Albert Madansky, Ph.D., H.G.B. Alexander Professor Emeritus of Business Administration at the University of Chicago Graduate School of Business and recipient of the 2005 American Statistical Association Founders Award, and Michele Madansky, Ph.D., a media and market research consultant and former VP of Global Market Research for Yahoo!

The pricing data reflects net publisher monetization via ad networks and excludes ad networks' share of ad spends as well as inventory sold directly by publishers to ad agencies or advertisers. The pricing data is not representative of the performance of any particular ad network.

Website Segment Definitions

- Small website segment: Less than 1 million page views per month.
- Medium website segment: Between 1 million and 100 million page views per month.
- Large website segment: Over 100 million page views per month.

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- **Aggregate Index:** Data for all websites is computed using a weighting of 65% large websites, 20% Medium websites, and 15% Small websites based on an estimate of overall traffic in the online publishing market.

Key Differences From Other Market Reports

This report is focused on online display advertising, whereas other reports often include several online advertising categories such as search, display, video, rich media, and email.

This data reflects net publisher monetization for advertising that is sold through ad networks, whereas advertising sold through a publisher's own sales team is often valued at higher price points than is reflected in this report.

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Executive Summary

The data reflected in this report shows a significant decline in Q4 2008 online display ad pricing compared to Q4 2007 for all sizes of websites and all vertical categories, underscoring the fact that the US economy is in a recession and that the online advertising sector is not immune to it. However, the news isn't entirely negative and shows some promise for the online advertising sector.

While the ad price averages across most sites also dropped in Q4 2008 from Q3 2008, the quarter-to-quarter drops were not significant by website size or vertical category; this may be an indicator that holiday ad sales helped stave off the consistent bigger drops that happened from quarter to quarter throughout 2008. Some vertical categories even showed improvement from the previous quarter.

It is clear that growth in online display advertising is slowing consistent with other advertising sectors, but not to the same magnitude. In the coming quarters the average pricing for display advertising may continue to drop consistent with seasonal cycles. However, with overall advertising budgets shrinking, the need for marketers to have more accountable advertising could bring more advertising dollars online in 2009 and start an upward trend as some vertical categories have already experienced.

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Key Takeaways:

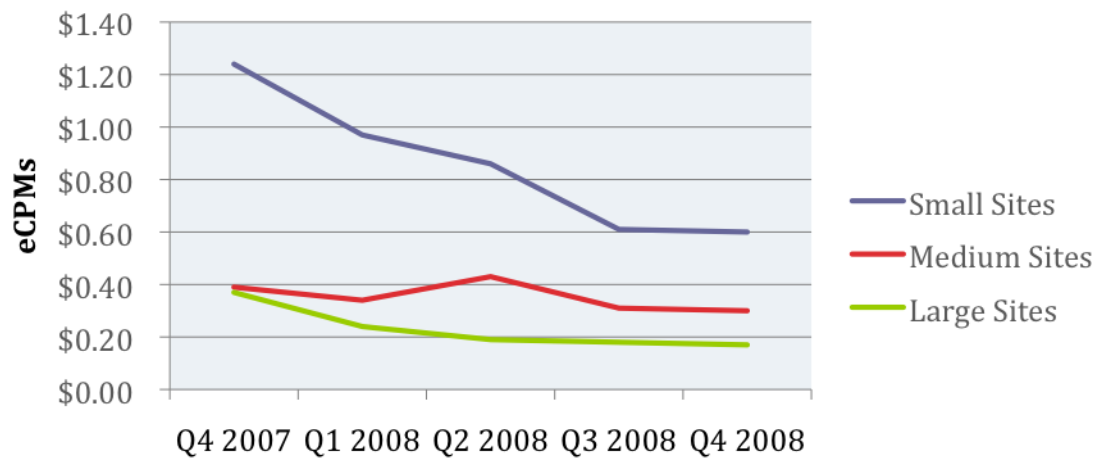
- All sizes of websites (small, medium, and large) were down dramatically from Q4 2007; small, medium, and large sites dropped 52%, 23%, and 54%, respectively, from the previous year.
- All sizes of websites were also down from Q3 2008 to Q4 2008, but the drops were not significant, bucking the trend of larger drops from quarter to quarter throughout 2008; this may be an indicator that the online ad sector got just enough of a boost from holiday advertising to keep ad rates steady.
- Similar to sites by size, all vertical categories also experienced significant drops in their ad pricing from Q4 2007; the biggest drop by a vertical was Business & Finance, which fell from an average price of \$2.13 in Q4 2007 to \$0.83 in Q4 2008 – a 61% drop.
- Also similar to sites by size, no vertical categories dropped by a significant amount from Q3 2008 to Q4 2008, and some verticals even improved from the previous quarter; the Technology, Sports, Entertainment, Gaming, and Music verticals all had higher ad price averages in Q4 of 2008 than in Q3 of 2008.

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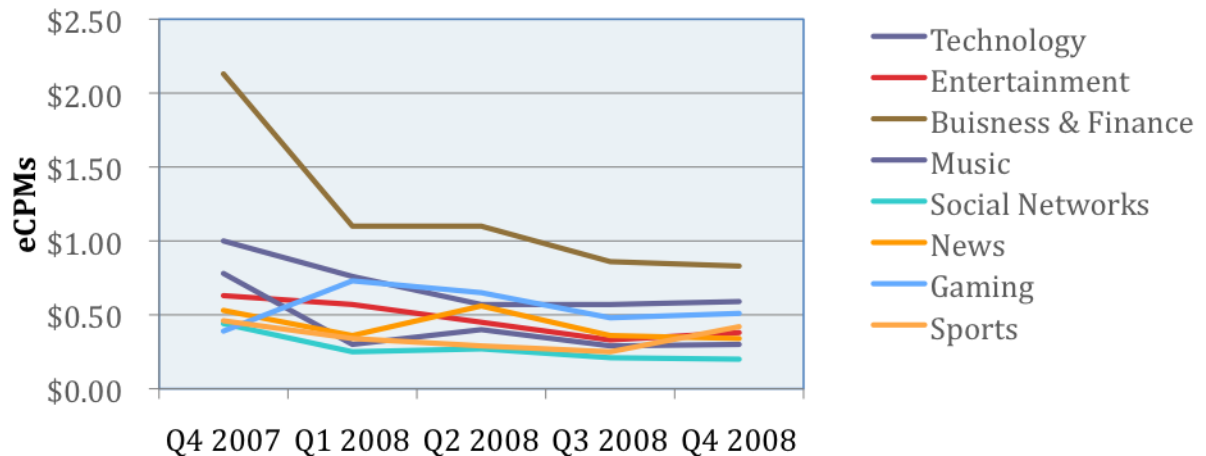
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Quarter-to-Quarter Trends by Website Size and Vertical

Trends by Website Size



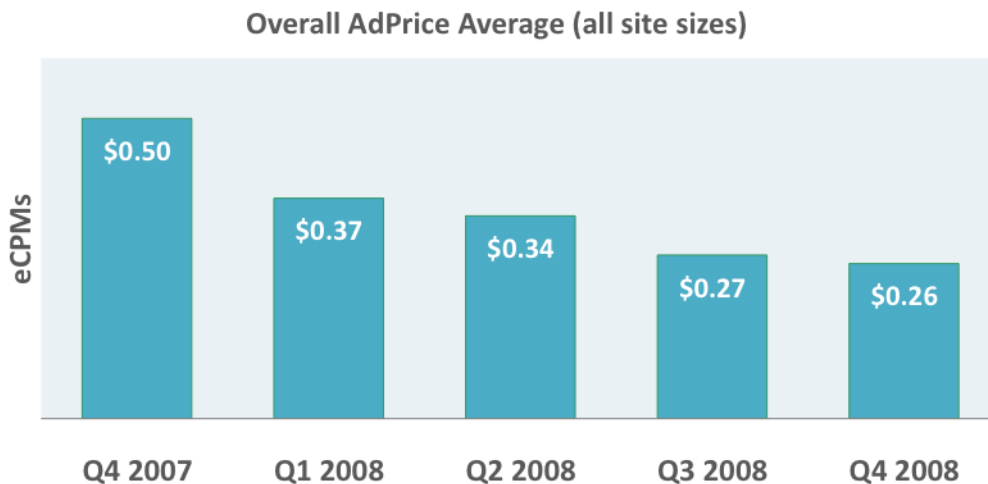
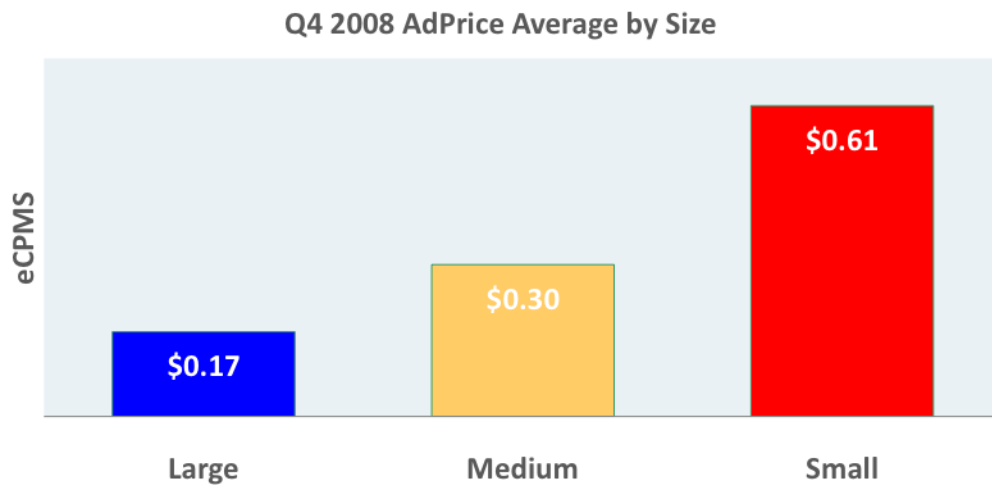
Trends by Website Vertical



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Q4 2008 Pricing by Website Size and Overall Ad Price Trends



- 48 %
from Q4 07

- 3.7 %
from Q3 08

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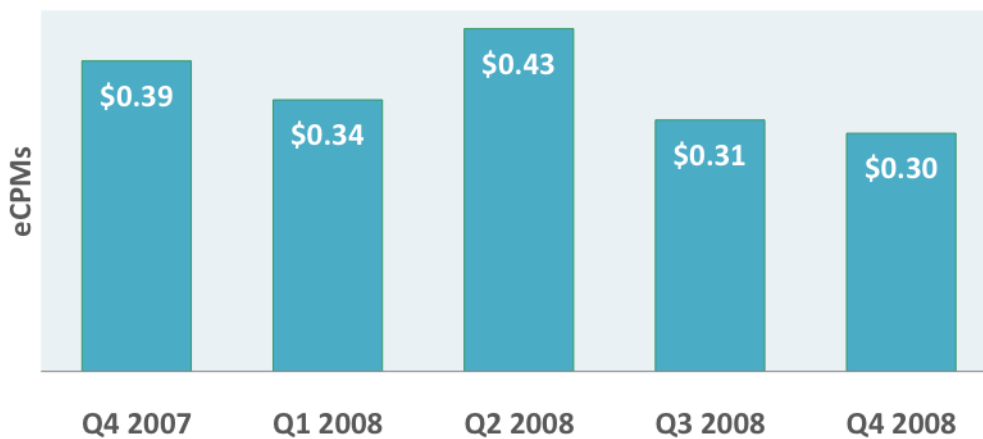
Quarter-to-Quarter Pricing by Website Size

AdPrice Quarterly Average for Small Sites



- 52 %
from Q4 07
0 %
from Q3 08

AdPrice Quarterly Average for Medium Sites

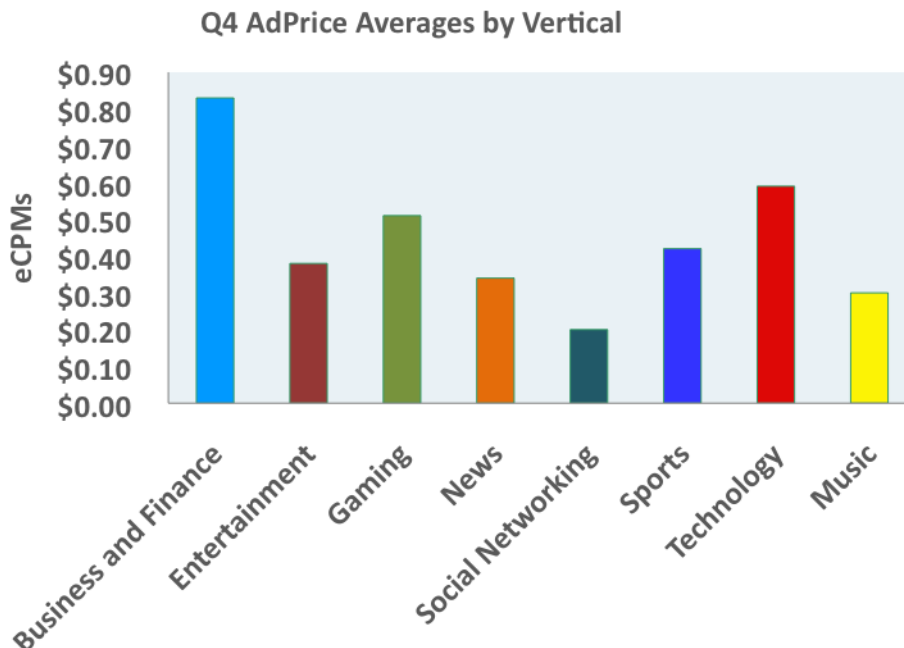
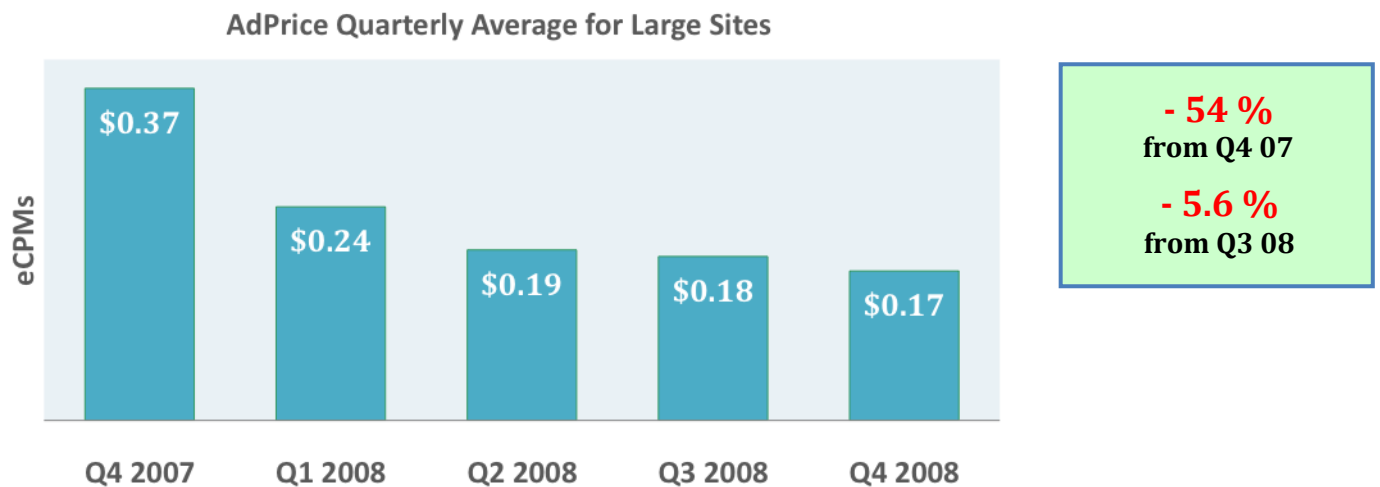


- 23 %
from Q4 07
- 3.2 %
from Q3 08

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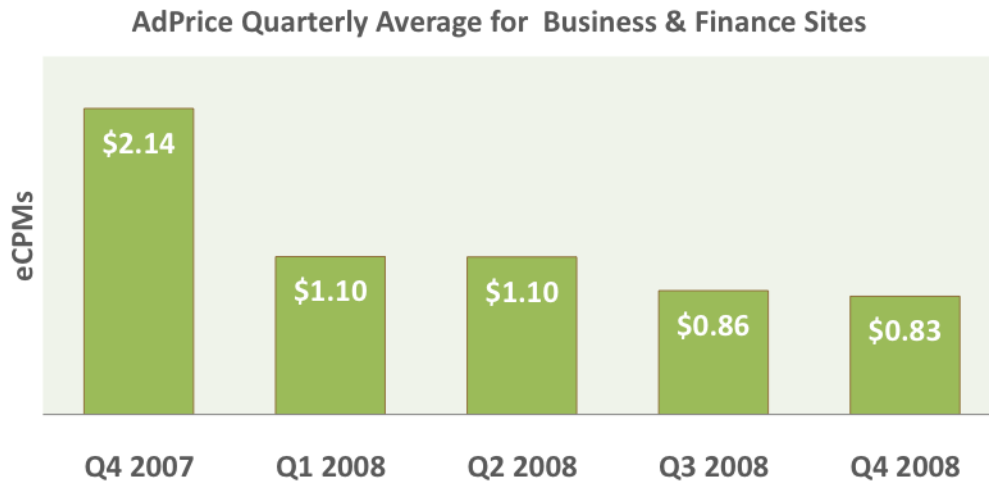
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Quarter-to-Quarter Pricing by Website Size and Q4 Pricing by Vertical

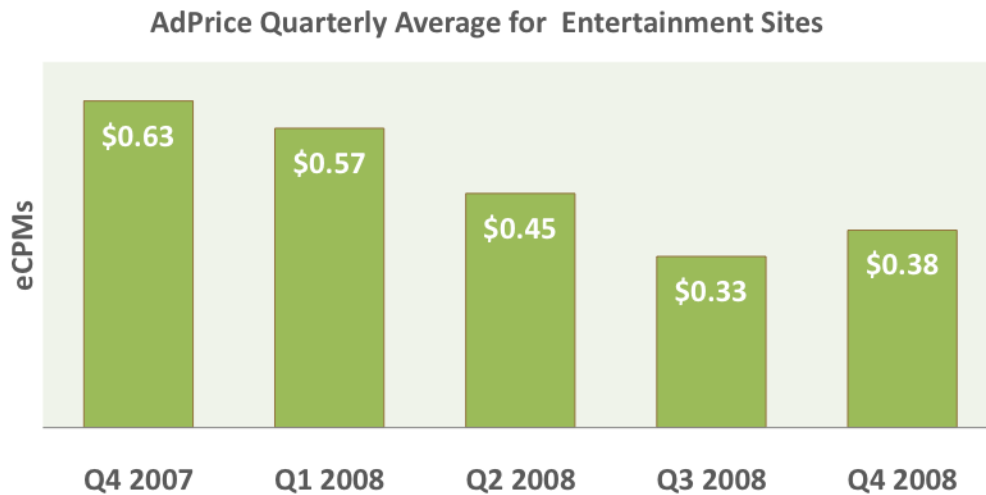


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Quarter-to-Quarter Pricing by Website Vertical



- 61 %
from Q4 07
- 3.5 %
from Q3 08



- 40 %
from Q4 07
+15.2 %
from Q3 08

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Quarter-to-Quarter Pricing by Website Vertical

AdPrice Quarterly Average for Gaming Sites



+ 31 %
from Q4 07
+6.3 %
from Q3 08

AdPrice Quarterly Average for News Sites



- 36 %
from Q4 07
- 5.6 %
from Q3 08

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Quarter-to-Quarter Pricing by Website Vertical

AdPrice Quarterly Average for Social Networking Sites



- 54 %
from Q4 07
- 4.8 %
from Q3 08

AdPrice Quarterly Average for Sports Sites



- 8.7 %
from Q4 07
+ 59 %
from Q3 08

The Q4 2008 AdPrice Index

Quarter-to-Quarter Pricing by Website Vertical

AdPrice Quarterly Average for Technology Sites



- 41 %
from Q4 07
+ 3.5 %
from Q3 08

AdPrice Quarterly Average for Music Sites



- 61.5 %
from Q4 07
+ 3.4 %
from Q3 08

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Appendix

PubMatic Management Team

Rajeev Goel, Co-Founder and CEO

Amar Goel, Founder and Chairman

Mukul Kumar, VP of Engineering and Founding Engineer

Jon Burke, Senior Director of Publisher Development

Jeanne Houweling, Vice President, Business Development & Media Sales

Public Relations

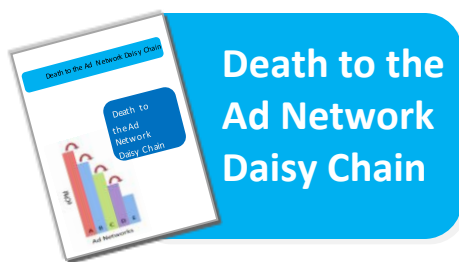
For questions on the PubMatic AdPrice Quarterly Report, or for speaking and press inquiries, please contact Ben Billingsley of the Horn Group.

bbillingsley@horngroup.com

Download our Latest White Paper @

<http://www.pubmatic.com>

NEW Technology White paper



- Learn how to generate more revenue from default ad impressions
- Understand why static daisy chaining of ad networks is inefficient and how technology is allowing publishers to improve yield