

FreeWheel[®]

SERVING THE VIDEO REVOLUTION.



FREEWHEEL VIDEO MONETIZATION REPORT

Q2 2011

Key Findings:

- Online video is continuing on its path to generating revenue much like television: ad loads correlate to content length and reflect classic advertising seasonality. Consumers view multiple ads in pods like TV for long-form content where average video ad loads are nearly seven times that of short-form content.
- Long-form content contains an average of 3 video ads per video view with an average ad completion rate of 81%; consumers continue to embrace ad-supported content models, even as ad loads increase over time.
- Content owners and distributors are aligning video ad length to content length: :15s are the most common (44% of video ads) and most likely to appear within short-form content; :30s are also widely used (32% of video ads) and much more likely to be found in long-form content.
- Content length and video ad placement are more significant factors than ad length in terms of consumers watching through a video ad: long-form content and mid-roll ads consistently have the highest completion rates (81% and 94%, respectively).
- Wireless video viewing doubled from Q1 2011 to Q2 2011, driven by what is proving to be the true third screen: the iPad. Despite lower market penetration than the iPhone and the iPod touch, iPads encompass the largest volume of wireless viewing – up 11 percentage points from Q1 2011. iPad viewing complements TV viewing: it is heaviest on weekends, typically the lightest days for broadcast viewing.

Overview



FreeWheel's flagship product, Monetization Rights Management® (MRM) manages ad sales rights and serves ads into the U.S. and abroad on wired and wireless Internet devices. MRM solves a crucial issue for producers of professional video content: ads sales rights management as video is consumed on a multiplicity of properties and devices beyond the traditional confines of the television. The data in this report comprises 11.3 billion video views and 6 billion video ad views in Q2 2011 and is one of the largest pools

of data available on the usage and monetization of professional video content. As such, the data gives valuable insight into both consumer behavior with this type of content and how brand advertisers are employing it. The FreeWheel Video Monetization Report is released quarterly and seeks to highlight the changing dynamics of how the largest content owners and distributors are monetizing professional digital video content. In this Q2 2011 report, we continue to report on content monetized, ad placements used, ad length, and video length and focus on how one device, the iPad, is changing how consumers view digital video, how advertisers reach those consumers, and how publishers generate advertising revenue from it.

Chart 1: Long-form video has the highest monetization rate, averaging 3 video ads per video view

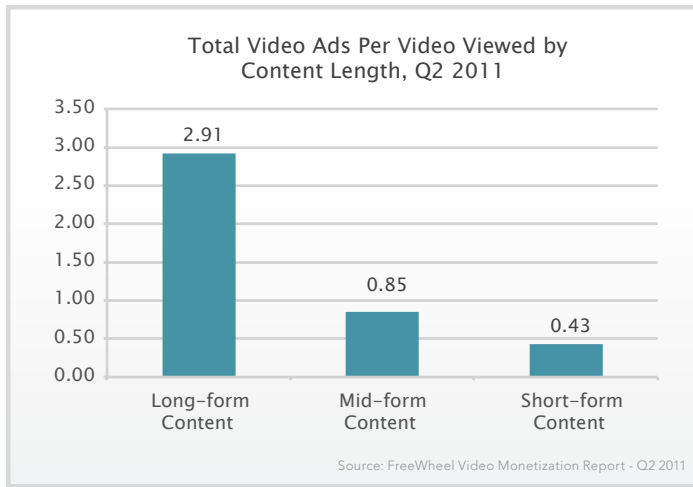
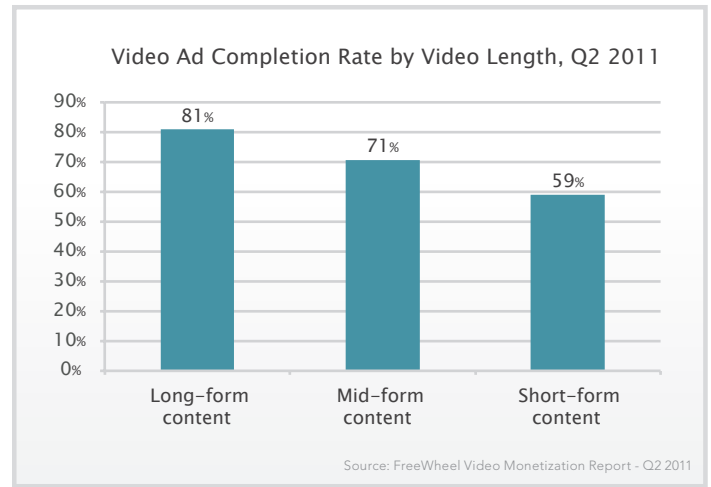


Chart 3: Long-form content has highest ad completion rates, indicating highly engaged consumers

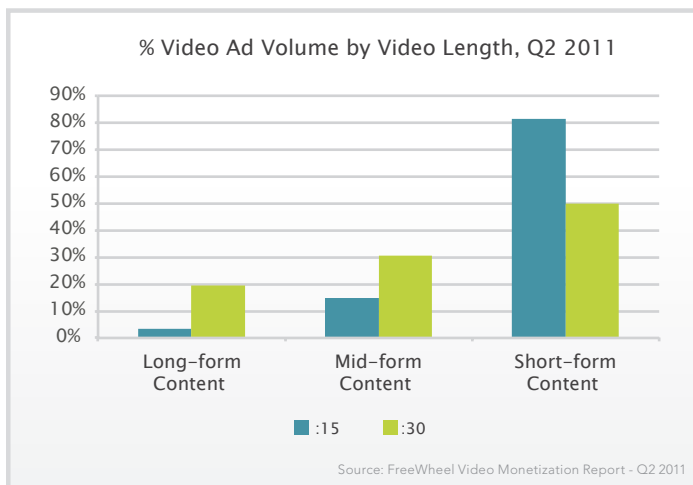


Digital Video Monetization Increasingly Like Television: Seasonality of Spend and Ad Loads

Video ad volume in Q2 2011 nearly equaled that of Q4 2010 (6.0 billion ad views as compared to 6.2), which was the previous record quarter. There was a seasonal dip in Q1 (5.5 billion ad views) – typically a lighter spending quarter for advertisers with fewer retail ads in market.

The average number of video ads per video view is highest within long-form content – 3 video ads – a reflection of content producers’ efforts to get closer to TV ad loads, and advertisers’ willingness to pay for those finite ad opportunities. Indeed, the longer the content length, the higher the average video ad load

Chart 2: Majority of video ads are :15s, which are most likely to be placed in short-form content



[see chart 1]. Long-form videos have nearly 7 times the ad load of short-form videos. It is worth noting that this purely reflects video ad load (pre-roll, mid-roll, and post-roll), and does not reflect video monetization from companion display ads, nor overlay ads.

Ad Length and Video Length: Publishers Align Ad Length to Content Length

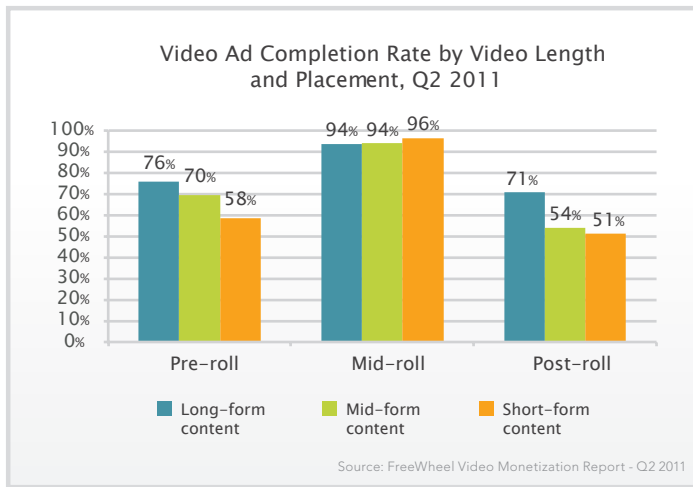
The majority of ads in digital video continue to be :15s (44% in Q2), followed by :30s (32% in Q2). The majority of video content available is still short-form, and publishers tend to align content length with ad length, so that shorter ads are more likely to be placed in short-form content [see chart 2].

Length of Content and Position of Ads Have Greatest Impact on Completion Rates

Long-form content has the highest average completion rates (consumers viewing through until the end of the ad): 81% of ads in long-form content were completed in Q2, as compared to 59% for short-form content [see chart 3].

Position of the ads is another strong determinate of high completion rates. Mid-rolls have the highest completion rates, no matter what length of content they are placed in (ranging from 94% to 96%, depending on length of content, while pre-

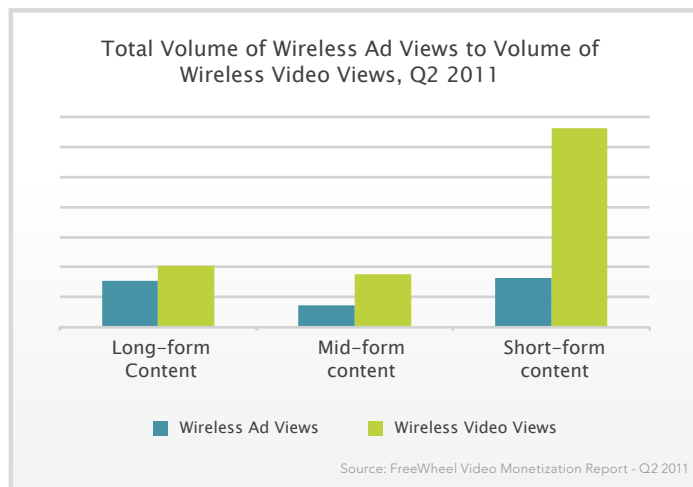
Chart 4: Mid-rolls have highest completion rates, regardless of content length



rolls range from 76% to 58%, and post-rolls range from 71% to 51% [see chart 4]. This indicates high levels of consumer engagement with professional content; consumers continue to embrace accessing premium content with an ad-supported model.

Post-rolls may see lower completion rates than other ad positions, but with popular music and sports sites enabling consumers to program their own content “playlists” by stringing together several short-form videos, post-rolls become sandwiched between content clips and still show strong average completion rates (over 50%).

Chart 5: Majority of wireless content is short-form, but long-form is most likely to be monetized



Wireless Explodes: Content Available, Content Viewed, Ads in Market

Wireless video viewing doubled from Q1 to Q2 2011 (+ 110%), totaling nearly 210 million video views. This trend reflects both more content being syndicated to various wireless platforms, as well as the increasing number of devices consumers are using to access that content. Wireless video ad views also grew dramatically in one quarter (+48%). The ratio of advertising to video views still has maturing to do, likely due to the developmental nature of the mobile ad market. Some content providers are launching in mobile environments ad-free and then later introducing advertising into their content streams. Just as with wired video, short-form content makes up the largest volume of wireless video viewing, but long-form content is the most likely to be monetized [see chart 5].

TV Everywhere Breaks through with the iPad

The iPad is proving to be a breakthrough device for digital video viewing, which has been documented by research like the Nielsen Connected Devices Report (May 2011, http://blog.nielsen.com/nielsenwire/online_mobile/in-the-u-s-tablets-are-tv-buddies-while-ereaders-make-great-bedfellows/). Companies like Comcast are protecting their cable rates (and delighting consumers) by now enabling their subscribers to go through an authentication process and view their cable-subscribed content on the tablets.

Chart 6: iPad video viewing volume grew dramatically in Q2 at the expense of all other platforms

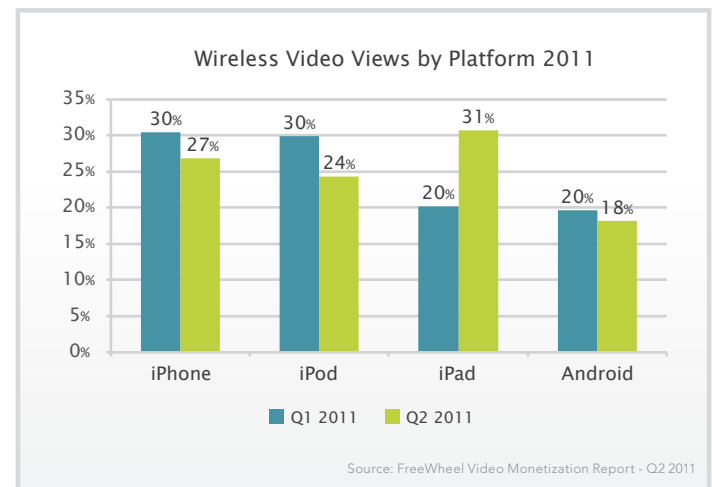
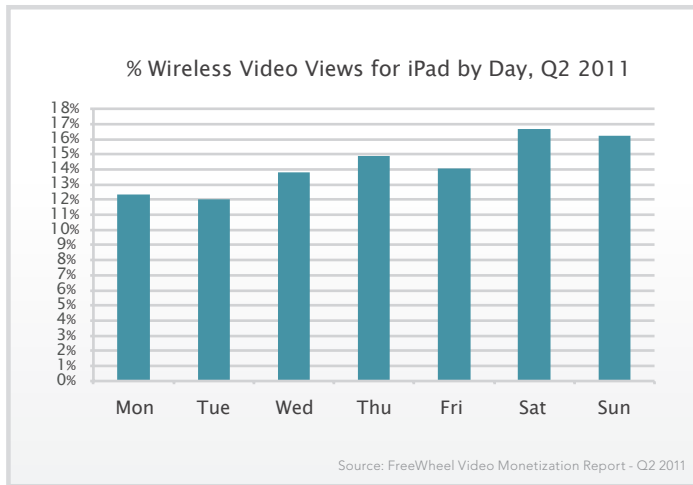


Chart 7: iPad video views spike on weekends, complementing broadcast viewing which is heaviest on weekdays



The dramatic increase in wireless video viewing from Q1 to Q2 was driven largely by the iPad, which encompassed 31% of all wireless video viewing in Q2 [see chart 6], up 11 percentage points from Q1.

iPad viewing typically spikes each weekend, indicating that video viewing on it is a complement to broadcast television, which sees its highest ratings during the week [see chart 7].

Summary

Digital video monetization is becoming more like that of television every quarter with ad loads related to content length and multiple ads per long-form video. The length of the ad matters much less than the length of the content and the positioning in terms of consumers viewing through the entire ad: longer-form content can take multiple ads placed before, during and after the content, along with longer ads, and still display high completion rates. Advertisers are embracing digital video content on whatever platform it appears, and consumers are accepting the value proposition of ads for content as they experience television wherever and whenever they choose.

A Note on the Data

FreeWheel served over 6 billion video ads (pre-roll, mid-roll, and post-roll) in Q2 2011 and made ad decisions for over 11.3 billion video views. While the data here is primarily U.S.-based activity on behalf of U.S.-based content producers, a small percentage of the viewing occurs outside the U.S. The data here represents only video that is rights-managed: aggregate monetization data for professional content from FreeWheel's customers, and does not reflect trends for user-generated content.

FreeWheel[®]
SERVING THE VIDEO REVOLUTION

For more information or if you have questions about this report, contact us:

www.freewheel.tv
press@freewheel.tv