

MARCH 2020 DEAL OF THE MONTH &
PERSPECTIVES ON DIGITAL MARKETING

CLAIRFIELD
INTERNATIONAL

CLAIRFIELD ADVISES SOLOCAL GROUP (LOCAL:PA) ON DIVESTMENT OF SPANISH UNIT TO PRIVATE EQUITY

FRANCE/SPAIN

solocal

sold

qdqmedia

to

AS EQUITY PARTNERS
LONDON · ZÜRICH

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Worldwide trends

The billion euro advertising space is a rapidly changing industry with most of the action happening on the digital marketing side. As the world's digital advertising revenues increase, there is a global demand for more online content. Lead generation, advertising, search engine optimization, and affiliate partnerships are major drivers of income in the 21st century marketing industry. This demand drives up the value of content-related businesses and digital marketing agencies in an era where everyone is glued to their connected devices.

Evolving digital marketing technologies

The growing popularity of individualized features and more in-depth experiences pushes brands to invest and acquire these types of technologies while post-sales marketing has become a more prominent element along the customer journey.

Audio queries made possible by smart devices and digital assistants are driving voice search.

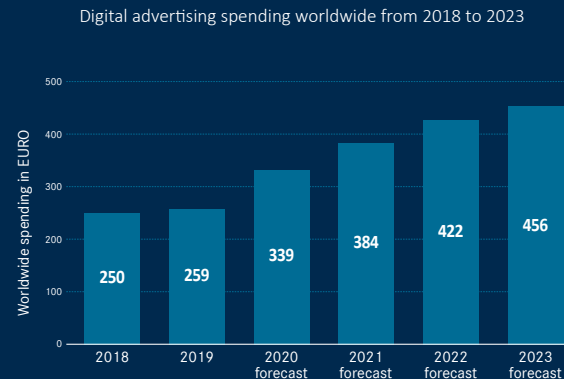
Social search emphasizes the value of product reviews and recommendations.

Giant platform companies provide free digital products and services but are still able to profit as they reach massive audiences: the larger the platform, the more consumer data is collected.

Artificial intelligence analytics are helping to better target marketing strategies based off of real-time data.

Affiliate partnerships promote products or services that belong to another company. The valuation depends on terms like longevity, product category and seasonality, commission tiers, high calibre content, and the link portfolio. For valuation purposes, advertising agencies are similar to affiliate businesses because they are dependent upon content and end-user action to produce revenue.

Worldwide digital advertising spending is predicted to reach **€ 456 billion** by the end of 2023.



Source: eMarketer

M&A highlights

Deal activity remained strong in 2019 and most deals continue to be driven by marketing service buyers seeking to integrate SaaS and other AI technologies.

Transaction volume has been consistent for several quarters with deal value spiking at certain times due to mega deals such as the acquisition of Marketo by Adobe valued at EUR 4.23 billion. In 2016, Vista Equity Partners acquired Marketo for only EUR 1.6 billion. In just two years, the company valuation increased by EUR 2.63 billion.

Amazon Advertising is now the third-largest ad seller in the US behind Google and Facebook, holding a 4% market share. This is due to their recent acquisition of Sizmek's ad server and a 34% growth of their advertisement revenue in Q1 2019.

The innovation of AI has accelerated M&A activity, as the integration of software solutions with traditional marketing has proven to produce successful synergies.

Transaction summary

Solocal Group, a Euronext-listed digital marketing company, sold its Spanish subsidiary QDQ Media to AS Equity Partners.

Profile of the companies

solocal

Solocal Group (LOCAL.PA) is a major player in the digital marketing space in France with revenue in excess of EUR 584 million in 2019. Solocal provides digital services (digital presence, digital advertising, websites, and new print solutions). Solocal also provides users with the best possible digital experience with PagesJaunes, Mappy and Ooreka, and partners (including Google, Facebook, Apple, Microsoft/Bing, Yahoo!).


qdqmedia

QDQ Media is the leading digital marketing agency in Spain, offering SEO and SEM, web design & hosting, web presence, and online videos, thanks to a scalable technological platform. QDQ Media focuses mostly on SME clients, and also provides services for mid-sized companies and large accounts with its dedicated subsidiaries Optimizaclick and Trazada.

AS EQUITY PARTNERS
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AS Equity Partners is a European private equity firm with offices in Zurich and London. The fund focuses on lower midmarket technology companies across Europe, focusing on special situations such as carve-outs.

Transaction rationale

QDQ Group is a group of three digital marketing companies (QDQ, Optimiza, and Trazada), each of which is dedicated to a particular customer segment. The history of the group dates back to 1997. The company initially focused on the sale of printed guidebooks. In 2004 Solocal purchased QDQ and began the digital transformation of the company. QDQ acquired Optimiza and Trazada in 2011 and finalized its transformation in 2013.

In recent years the company was in a difficult financial situation due to its restructuring and the transformation process it undertook going from a print based to digital company. In 2018 the turnaround was completed and QDQ generated enough profit and cash to be independent of its parent company. Solocal eventually decided to divest QDQ as there was little synergy between its software platforms and offered little crossfertilization with its other businesses. With this divestiture Solocal exits the Spanish market.

Clairfield role

Clairfield International acted as exclusive financial advisor to Solocal Group.

Solocal was a long-standing client of Clairfield International. In 2017 Clairfield advised the sale of its online real-estate classifieds business, avendrealouer.fr, to leboncoin Group.

The QDQ mandate was not an easy one to execute as QDQ was loss-making in the past. It was a former turnaround situation with many peaks and valleys on the balance sheet. In addition the digital marketing landscape is constantly shifting with many players as marketing moves towards digital and Google eats up an ever larger market share.

Numerous strategic buyers declined the opportunity. The deal team turned to private equity investors. Several offers were not accepted before Bertrand Hermez, head of Clairfield's TMT sector group, together with the Spanish team, identified AS Equity as the ideal buyer. AS Equity specializes in carve-outs for European digital midmarket companies. QDQ is the perfect fit for them and AS Equity plans to further consolidate with another player to be acquired in the medium term.

Deal team: Bertrand Hermez, Marie Dokchine, Brian O'Hare, Felipe Selva

CLAIRFIELD: ADVISOR OF CHOICE FOR DIGITAL MARKETING TRANSACTIONS

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European software, 2019, all deals

Rank	Financial Advisors Full To Each Eligible Advisor	No. of deals
1	Deloitte	45
2	KPMG	36
3	Clairfield International	28
4	PricewaterhouseCoopers	26
5	Ernst & Young	21
6	Goldman Sachs	19
7	IMAP	18
8	Oaklins	17
8	Rothschild & Co	17
10	JP Morgan	15
11	BDO	14
11	Lincoln International	14

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Selected Clairfield digital marketing deals

<p>AUSTRIA</p> <p>FirmenABC</p> <p>sold an 80% stake to</p> <p>INVESTNET UNTERNEHMER ALS INVESTOREN</p>	<p>FRANCE</p> <p>Mazeberry</p> <p>was sold to</p> <p>ysance</p> <p>backed by</p> <p>CREADEV CREATING FOR PEOPLE</p>	<p>FRANCE</p> <p>3prime LBO</p> <p>bpi</p> <p>A PLUS FINANCE</p>	<p>NORWAY</p> <p>Norges bestel</p> <p>1881</p> <p>acquired</p> <p>idium</p>
<p>DENMARK</p> <p>UMWELT</p> <p>sold a minority stake to</p> <p>Bording</p>	<p>UNITED STATES</p> <p>MUDLUCK MAIL</p> <p>was recapitalized by</p> <p>CLEARVIEW CAPITAL</p>	<p>GERMANY</p> <p>reality bytes</p> <p>was sold to</p> <p>TWT</p>	<p>DENMARK</p> <p>Siteimprove</p> <p>sold a minority stake to</p> <p>SUMMIT PARTNERS</p>
<p>FINLAND</p> <p>ALMA</p> <p>was sold to</p> <p>otavamedia</p>	<p>AUSTRIA</p> <p>diamond:dogs</p> <p>was sold to</p> <p>EMAKINA</p>	<p>UK/US</p> <p>Tp THE DIGITAL PARTNERSHIP</p> <p>was sold to</p> <p>martinimedia</p>	<p>HUNGARY/UK</p> <p>KIROWSKI</p> <p>was sold to</p> <p>A E C I S A</p>