

August 2018 Industry Snapshot

DIGITAL MARKETING

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DIGITAL ADVERTISING MARKET

Digital marketing is the process of promoting a product, brand, or service through online engagements. Potential clients are exposed to advertisements in social media, mobile devices, and desktop applications. Digital marketing campaigns mainly apply multi-channel strategies such as a combination of search engine marketing, content marketing, display advertising and email marketing. This new form of marketing continues to evolve through new hardware and software analytics.

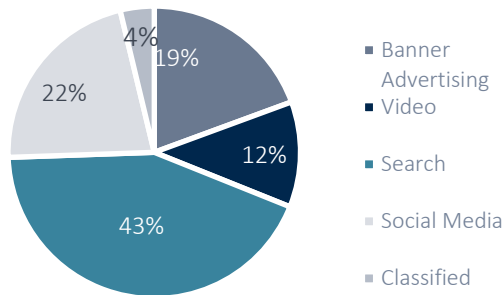
Currently, businesses are facing obstacles with government regulations and the entrance of more efficient and unique strategies. The European General Data

Protection Regulation (GDPR) provides safety to the personal data of internet users, but also limits personal/individual advertising.

Merger and acquisition activity is beginning to accelerate in this industry. Companies are using M&A to increase and retain their customer base, advance their technology, and create a competitive advantage over current competitors and new entrants.

Clairfield International has expertise in the digital marketing industry and can advise clients that are seeking to gain an advantage within the consumer based market.

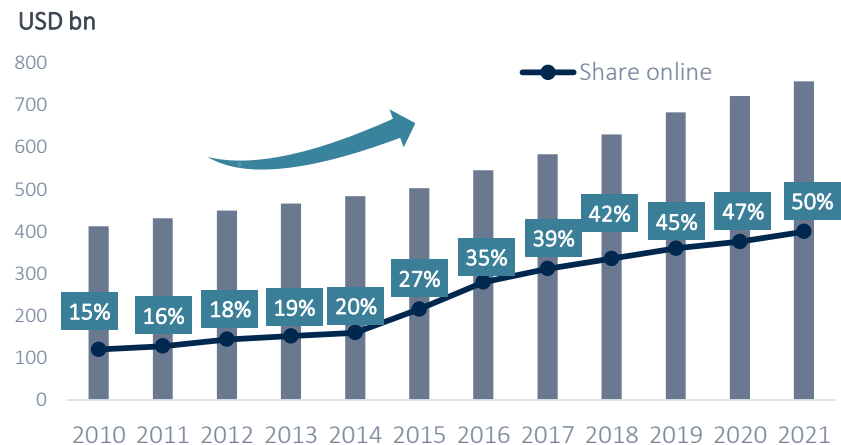
Digital channel breakdown in spending 2017



Examples of digital channels include:

- **Organic search** (such as Google, Bing, Yahoo)
- **Paid search** (such as Google, Bing)
- **Digital advertising channels** (for example, display ads)
- **Email campaigns** (for example AdRom)
- **Affiliates** (for example Awin)
- **Social media channels** (including Facebook, LinkedIn, Instagram)
- **Online public relations**

Global advertising spending



By 2021, 50% of total advertising spending worldwide will be online.



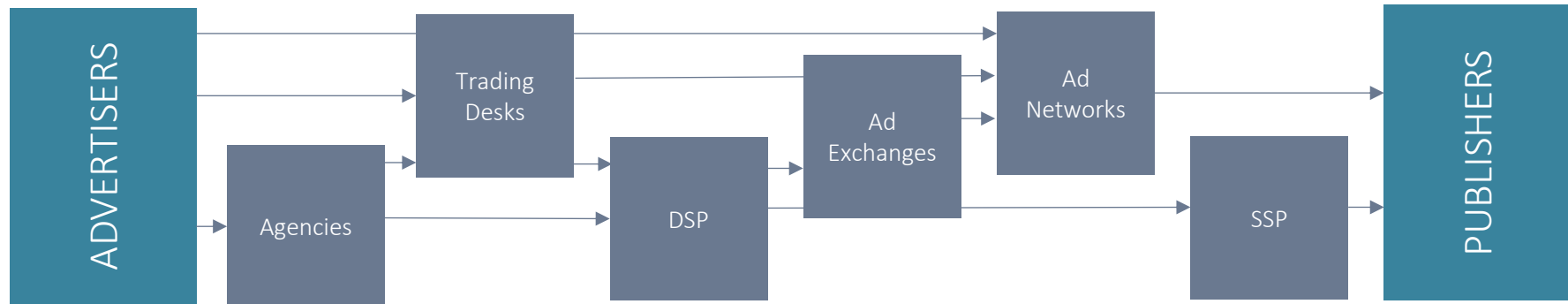
DIGITAL MARKETING STRUCTURE

Demand side

Advertisers' main goal is to deliver a specific message to the target audience at the right point of time for the best achievable price. Their launched campaigns intend to increase recognition, improve brand awareness or drive a purchase of the advertised product/service.

Supply side

Publishers seek to maximize revenues from their audience, but only with advertising that doesn't compromise the user experience. Some publishers outsource the process management to a third-party partner (like an SSP), others are quite involved by themselves.



- Media agencies purchase media for advertisers. The quality of this process is secured by a careful selection to bring the specific message to the right audience.
- Trading desks act as an extension of media agencies and purchase ads across multiple platforms programmatically.
- DSPs (demand-side platforms) are aggregating world-wide demand from advertisers. Afterwards they collect it in an automated system and make quick bids on publisher inventory.
- DMPs (data-management platforms): They bundle user data from publishers and thus allow advertisers (often through DSPs) to target a specific audience.
- Ad networks: To make the inventory from several (smaller) publishers more scalable and attractive to advertisers, ad networks aggregate them.

- SSPs (supply-side platforms): are aggregating world-wide inventory from publishers, collect it in an automated system that exposes it to advertisers, with the goal of delivering the highest yield to the publisher.
- DMPs (data-management platforms): These platforms bundle publisher audience data to make it more accessible and also more attractive to advertisers.
- Ad networks: They support publishers to earn more revenue by packaging their inventory and to make it more scalable to advertisers.



M&A UPDATE 2018

With around 200 deals in H1 2018, the M&A activity in the marketing sector has been very active.

In addition to the activity of agency holding companies including Dentsu, WPP and Omnicom, consulting companies such as Accenture and CapGemini have become increasingly active in acquisitions of digital marketing agencies.

While the agency companies are active in M&A to expand their technology skill sets, maintain market share, and cover emerging segments and markets, consulting companies are first and foremost interested in acquiring skill sets to advise their clients in digital transformation.

The trend towards data-driven decision-making and performance-driven advertising spending puts pressure on sector margins and will force the players to increase revenues via acquisitions.

Digital ad fraud and ever more stringent data protection rules put pressure on the industry and create opportunities for new entrants to succeed with solutions to address these challenges.

Due to the large availability of funds we are also noticing the reentry of private equity into the M&A sphere. Whether the recently announced acquisition of AppNexus by AT&T will inspire other communication companies to follow suit is to be seen.

Selected recent deals

Ann. Date	Target Company	Bidder Company	Deal Value EUR(m)
08/08/2018	Gorilla Group	WPP	undisclosed
25/06/2018	AppNexus Inc.	AT&T	~1600
15/06/2018	WARC Limited	Ascential Plc	27
10/05/2018	WordStream, Inc.	Gannett Company Inc	126
29/03/2018	Meredith Xcelerated Marketing	Accenture Plc	~171
22/03/2018	Zodiac, Inc.	Nike, Inc.	undisclosed
21/03/2018	Adswizz, Inc.	Pandora Media, Inc.	96
07/02/2018	Brandwidth Group Ltd.	Next Fifteen Communication Group plc	12
05/02/2018	LiquidHub, Inc.	Capgemini SE	~400
30/01/2018	Vubiquity	Amdocs	~180
30/01/2018	MyBuys	Evergage	~180
22/11/2017	Oxyma Group B.V.	Dentsu Inc.	undisclosed



AT&T

WPP



dentsu





VALUATION MULTIPLES

Listed digital marketing companies

Company	Market Value (EUR Mio.)	Enterprise Value (EUR Mio.)	Sales (Latest) (EUR Mio.)	EBITDA Margin	EV / Sales			EV / EBITDA		
					2018E	2019E	2020E	2018E	2019E	2020E
1000mercis	82	66	59	15.33%	1.04x*	0.82x*	0.96x*	5.83x*	5.01x*	5.44x*
Acxiom Corporation	2 926	3 086	785	12.70%	3.70x	3.40x	3.39x	19.60x	17.17x	17.08x
Ad pepper media group	86	65	76	2.15%	1.60x	1.41x	1.22x	19.90x	11.84x	9.15x
comScore	977	1 052	358	-15.09%	2.88x	2.71x	2.33x	300.33x	150.17x	24.52x
Criteo	1 546	1 203	2 053	10.38%	1.42x	1.32x	1.18x	3.71x*	3.69x*	3.62x
Fyber	37	179	230	-1.96%	0.85x	0.64x	0.54x	77.63x	10.76x	7.70x
Goldbach Group	182	148	461	7.28%	0.31x*	0.33x*	0.27x*	4.01x*	3.87x*	3.86x*
QuinStreet	581	533	339	5.79%	1.34x	1.21x	1.09x	13.23x	10.38x	8.95x
RhythmOne	170	149	218	4.63%	0.40x	0.38x	0.36x*	3.01x	2.56x	2.50x*
Trade Desk	3 897	4 847	273	25.33%	12.04x	9.15x	7.27x	38.94x	29.68x	22.31x
Telaria	166	112	39	-37.68%	2.13x	1.71x	1.45x	23.41x	8.18x	5.30x
Web.com	1 231	1 759	664	21.58%	2.67x	2.63x	2.61x	10.75x	10.39x	10.31x
Weborama	35	35	31	18.16%	0.97x	0.80x	0.67x	5.39x	4.11x	3.20x
Mean**					2.41x	2.04x	1.80x	18.78x**	9.80x**	9.53x
Median**					1.42x	1.32x	1.18x	11.99x**	9.28x**	7.70x

Listed marketing holding companies

Company	Market Value (EUR Mio.)	Enterprise Value (EUR Mio.)	Sales (Latest) (EUR Mio.)	EBITDA Margin	EV / Sales			EV / EBITDA		
					2018E	2019E	2020E	2018E	2019E	2020E
Cheil Worldwide Inc.	1 710	1 180	2 647	5.72%	0.44x	0.42x	0.40x	7.28x	6.78x	6.36x
Dentsu Inc.	10 467	12 358	7 344	19.43%	1.60x	1.49x	1.41x	9.26x	8.22x	7.85x
Hakuhodo DY Holdings Inc.	5 076	4 017	10 308	4.52%	0.36x	0.35x	0.34x	7.66x	7.86x	7.71x
MDC Partners Inc.	261	1 139	1 342	12.26%	0.89x	0.83x	0.79x	6.55x	5.98x	5.49x
Omnicom Group Inc.	12 958	16 128	13 541	15.33%	1.24x	1.22x	1.19x	8.01x	7.85x	7.52x
Publicis Groupe SA	12 475	15 203	9 690	18.43%	1.62x	1.57x	1.51x	9.01x	8.61x	8.21x
Interpublic Group of Co.	7 186	7 836	6 988	14.32%	1.18x	1.14x	1.12x	7.56x	7.16x	7.05x
WPP plc	16 914	22 293	17 429	15.95%	1.43x	1.40x	1.37x	8.07x	7.87x	7.71x
Mean					1.10x	1.05x	1.02x	7.93x	7.54x	7.24x
Median					1.21x	1.18x	1.16x	7.84x	7.86x	7.62x



CLAIRFIELD TRACK RECORD IN DIGITAL MARKETING

Deal spotlight

Austria/Switzerland

FirmenABC

sold an 80% stake to

INVESTNET
UNTERNEHMER ALS INVESTOREN

DIGITAL MARKETING AGENCY

FirmenABC sold an 80% shareholding to Investnet AG, a Swiss private equity and investment group. FirmenABC is a full-service online marketing agency and market leader in cross-media advertising and promotions for small- and medium-sized businesses in Austria and Germany. The transaction was advised by Clairfield International in Vienna.

Recent transactions

France


3prime
GROUP
INNOVATION DIGITAL SCRIE

LBO

 **bpi**france

Denmark

U MW E L T

sold a minority stake to

 **Bording**

Germany

reality bytes

sold a majority stake to



Austria/Switzerland



sold a 35% stake to



Austria/Belgium

diamond:dogsgroup

was sold to

 **EMAKINA**

Denmark


Siteimprove

Minority investment

 **SUMMIT PARTNERS**

Finland


ALMA

sold Alma 360 to



UK


PALMER HARGREAVES

raised expansion funding from



UK/US


T&P
THE DIGITAL PARTNERSHIP

was sold to



Hungary/UK

KIROWSKI

was sold to





CLAIRFIELD'S DIGITAL MARKETING TEAM

Sector head

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Berend Yntema is a corporate finance specialist and has over 20 years of experience in M&A, strategic and crossborder acquisitions, capital raisings, and restructurings with a focus on Western and Eastern Europe.

He has held various senior management and managing director positions in corporate finance and M&A advisory firms. He worked as a director at Investment Fund Sector Capital in Moscow and later as director for Poland at the European Privatization & Investment Corporation (EPIC). As one of the founders of COM Partners, he specialized in midmarket M&A advisory in the dynamic tech sector. Following a strategic merger, he worked as managing director at Corporate Finance Partners in Vienna, before joining Clairfield International as partner in Vienna. Berend was born in the Netherlands and holds a degree in economics with a focus on finance from the University of Groningen.

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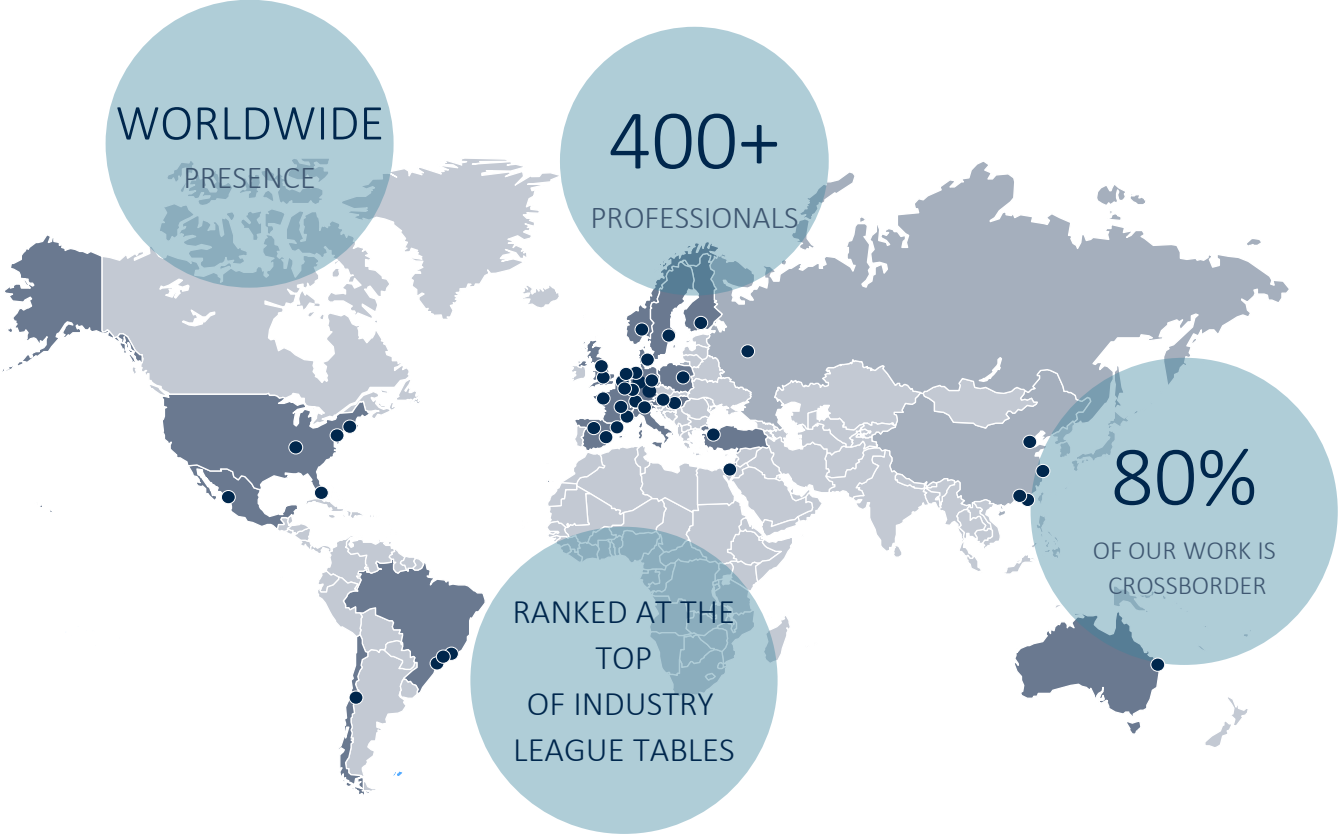


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CLAIRFIELD – A GLOBAL PARTNERSHIP OF M&A SPECIALISTS



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