



# Digital Brief 002

**Q1 2015 Market Report**

# Digital Brief: The Quarterly Market Report

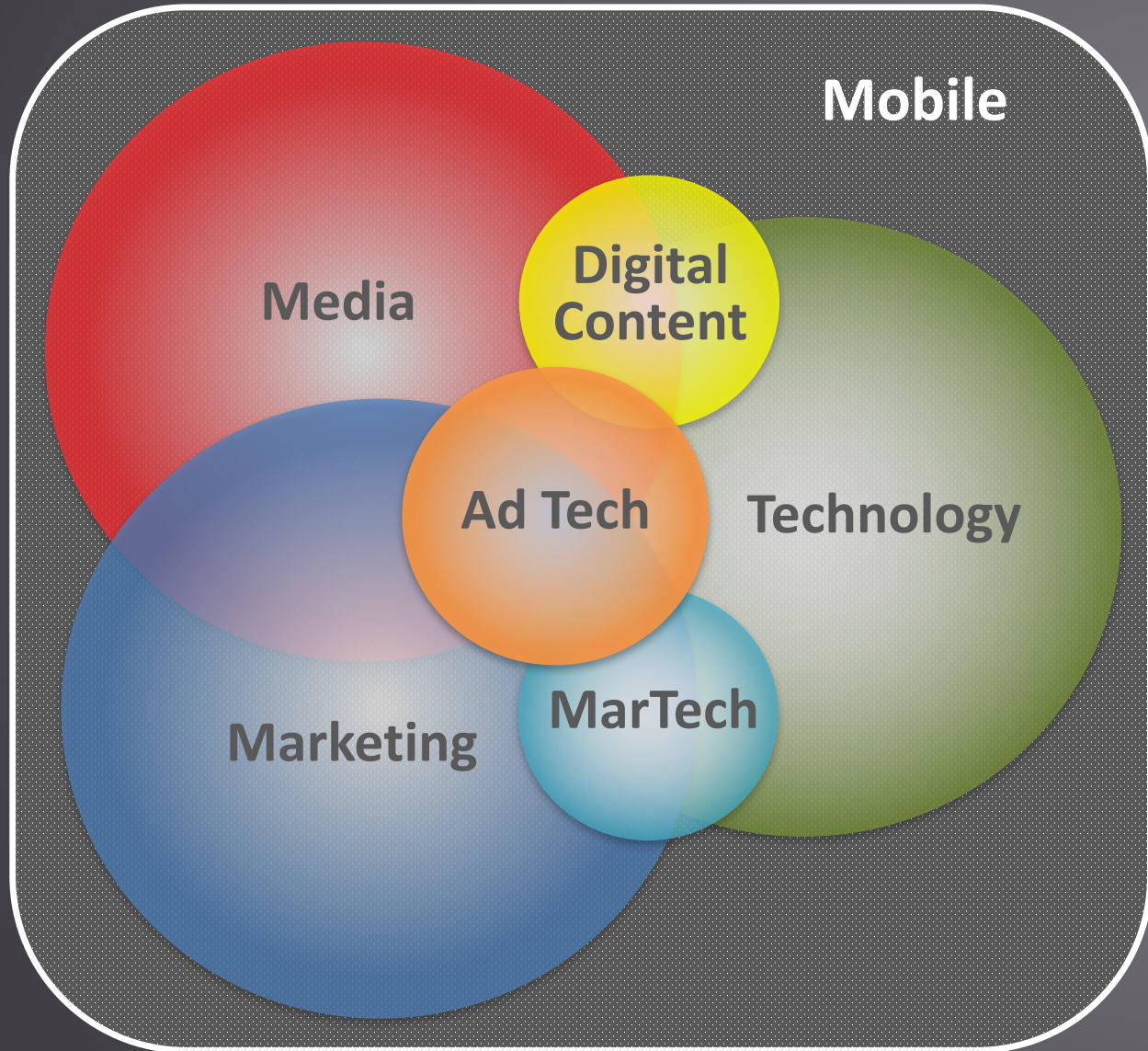
With Q1 2015, LUMA introduces the **Quarterly Market Report** as a regular feature of our **Digital Brief** series.

Every quarter we will publish this report that will track deal activity and market performance for the digital media industry. We will highlight deals by sub sector, size and strategic buyer along with commentary on trends and activity.

We felt this was missing as the existing market reports tend to track broader sector categories and are overly inclusive on small deal sizes which have the effect of making the data unusable or worse, misleading. Finally, we include proprietary LUMA data.

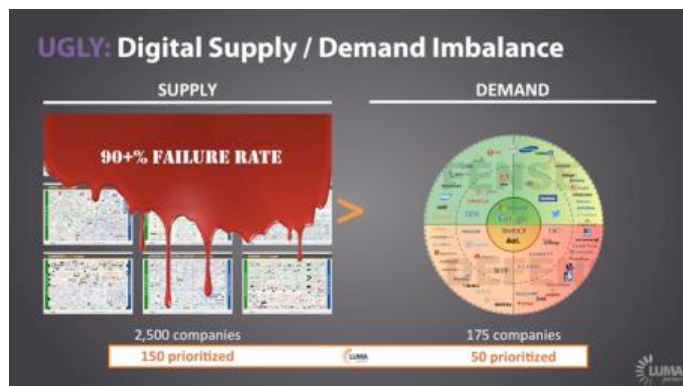
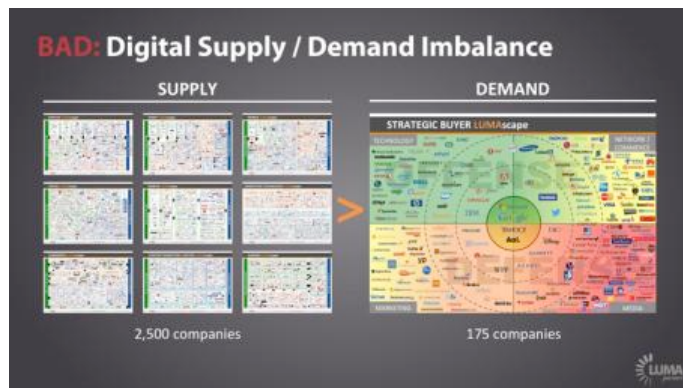
We hope you like it.

# LUMA's Singular Focus on Digital Media



- LUMA's expertise is at the intersection of Media, Marketing and Technology
- At this intersection exists:
  - **Digital Content:** content sites, MCNs, game publishers, aggregators
  - **Ad Tech:** display, search, video, mobile, social, content marketing/native, connected TV
  - **MarTech:** data, analytics, sales and marketing automation, email, predictive tools, commerce technology, shopper marketing, payments
- **Mobile** proliferation has a major impact on these markets and LUMA is deeply knowledgeable on mobile

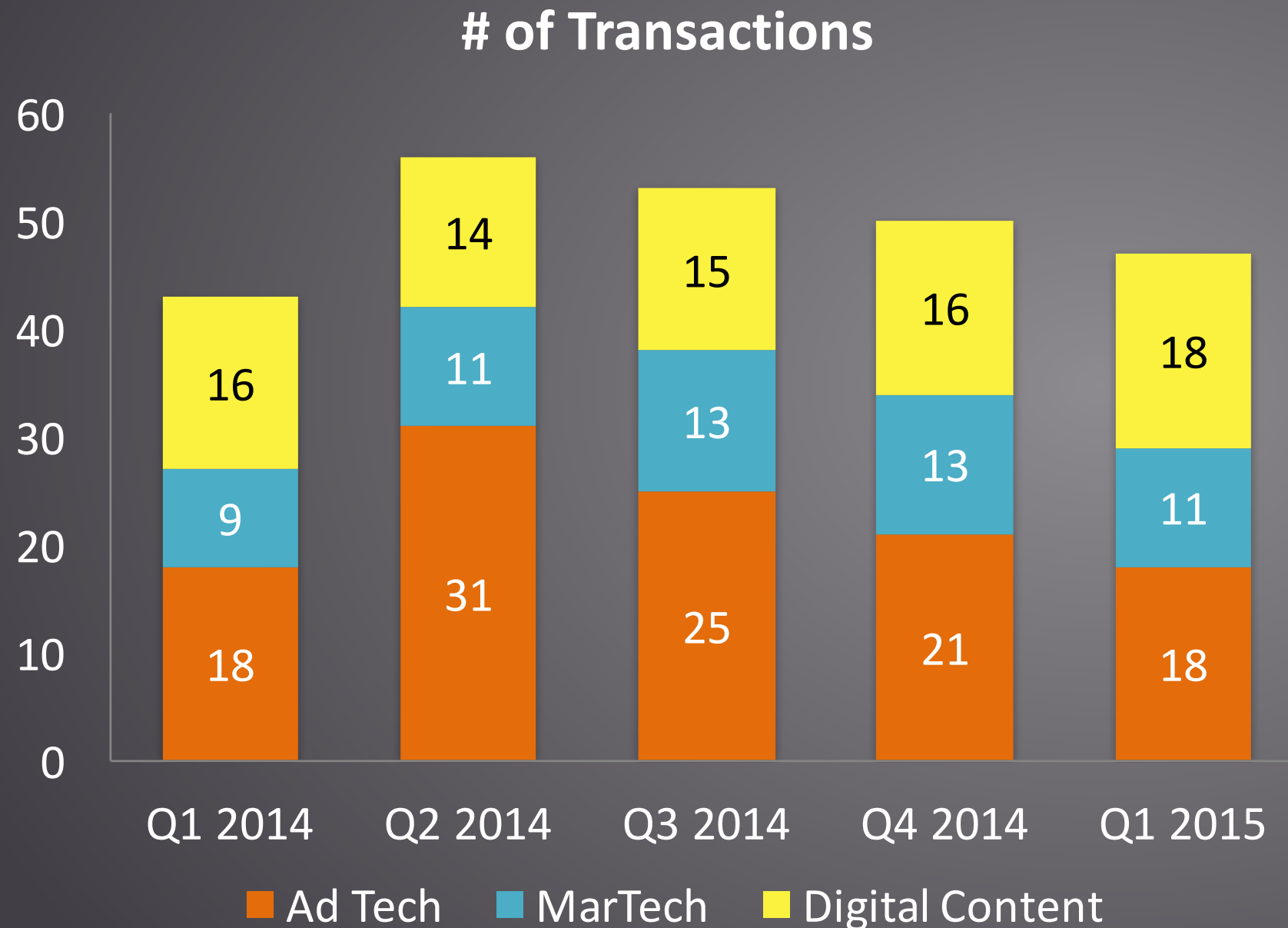
# Overall Commentary on Consolidation



- In our inaugural **Digital Brief**, we pointed out the severe supply / demand imbalance in digital media (click here [bit.ly/1G8BemA](https://bit.ly/1G8BemA)) and predicted that the vast majority of startups in the ecosystem would not achieve a scaled exit (defined as \$100 million or more)
- The deals we track in this report fall into one of four categories:
  - Large (over \$500 mm)
  - Medium (\$100 – \$500 mm)
  - Small (\$20 – \$100 mm)
  - Sub \$20 mm exits are considered tech and team deals, capitulations, or undisclosed



# U.S. Digital Media M&A Activity by Sector



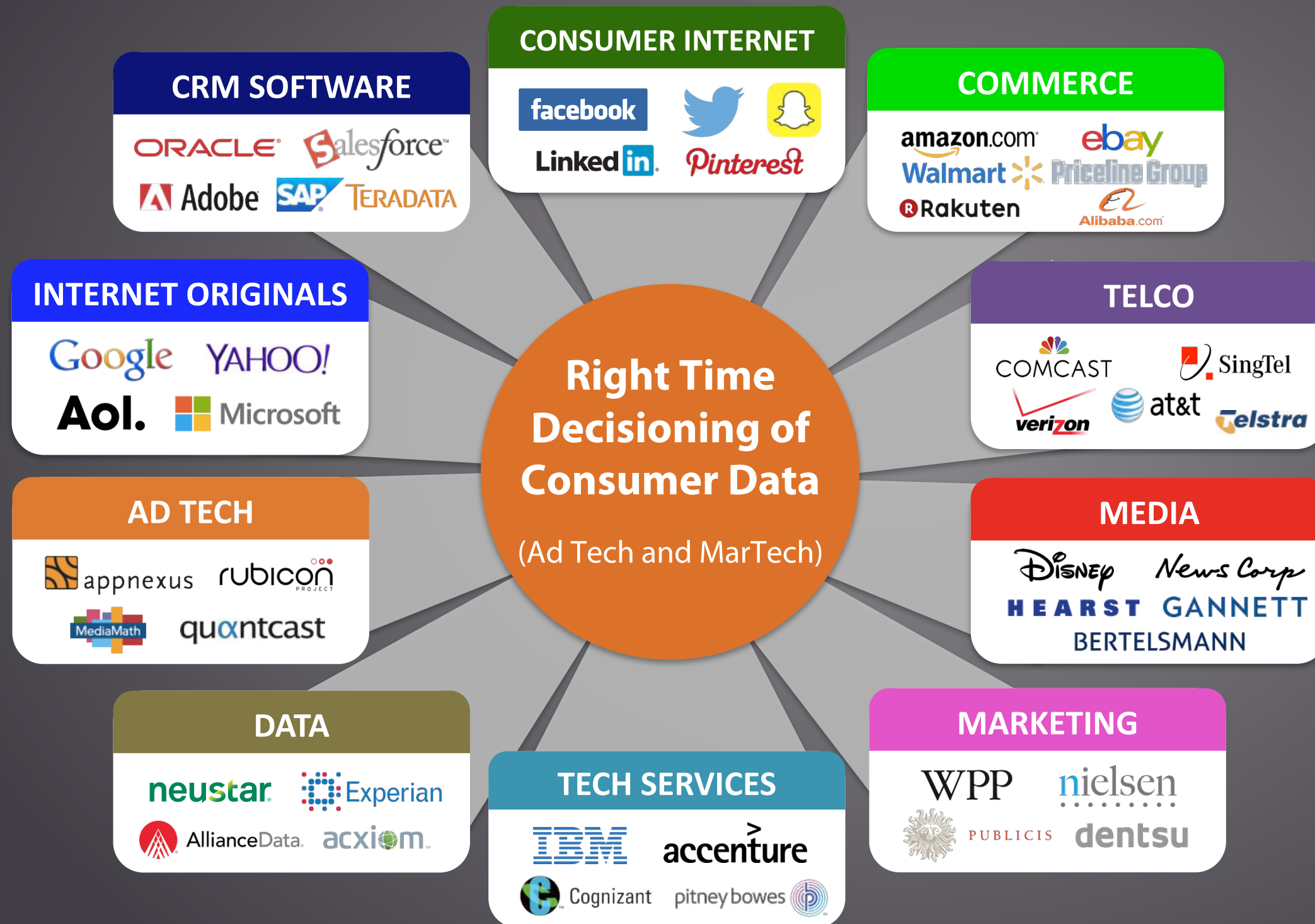
## ➤ Fast Start

- Digital media M&A is off to a fast start with 47 acquisitions
- Digital Content M&A activity was led by buyers that are acquiring technologies that are penetrating new consumer markets

## ➤ More Consolidation

- A growing pool of Strategic Buyers will lead to more consolidation with their high stock prices and levels of cash
- Competition will escalate, as the number of remaining attractive growth companies gets smaller

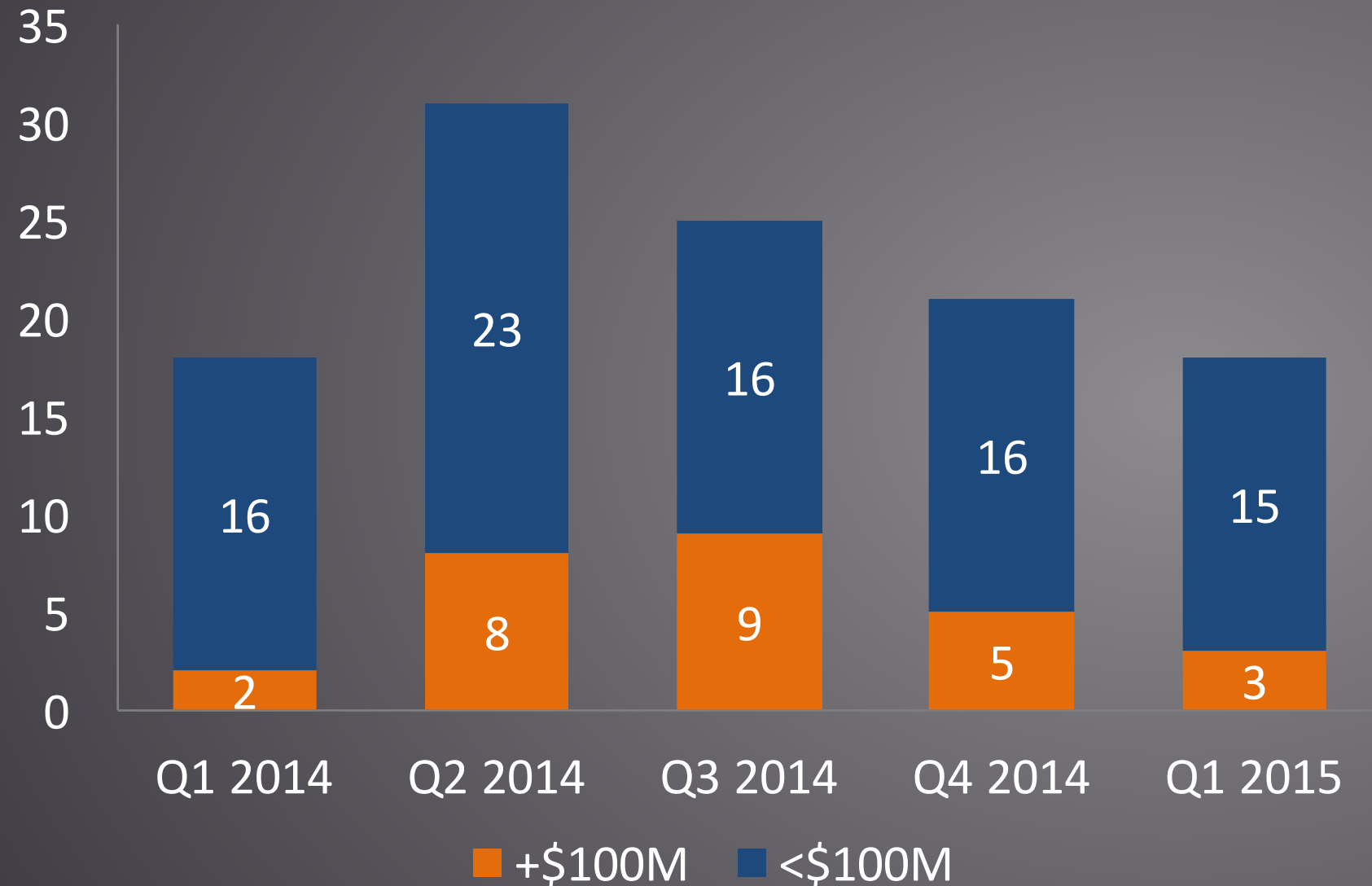
# A Growing Robust Pool of Strategic Buyers



- Software solutions that enable decisioning of consumer data is a capability that attracts deep pocketed strategics from a wide variety of industries
- Many companies from Ad Tech and MarTech have developed these capabilities

# Ad Tech M&A Activity

## # of Transactions













### ➤ Key Trend – Social Advertising

- Ad Tech M&A kicked off with 18 acquisitions in the first quarter
- M&A activity was led by a range of buyer types from Google, Nielsen to Rakuten

### ➤ Looking Ahead – Video & Programmatic Advertising

- We expect to see more momentum in the video market as digital video and TV converge
- Programmatic capabilities will continue to consolidate as Ad Tech companies look to build full technology stacks

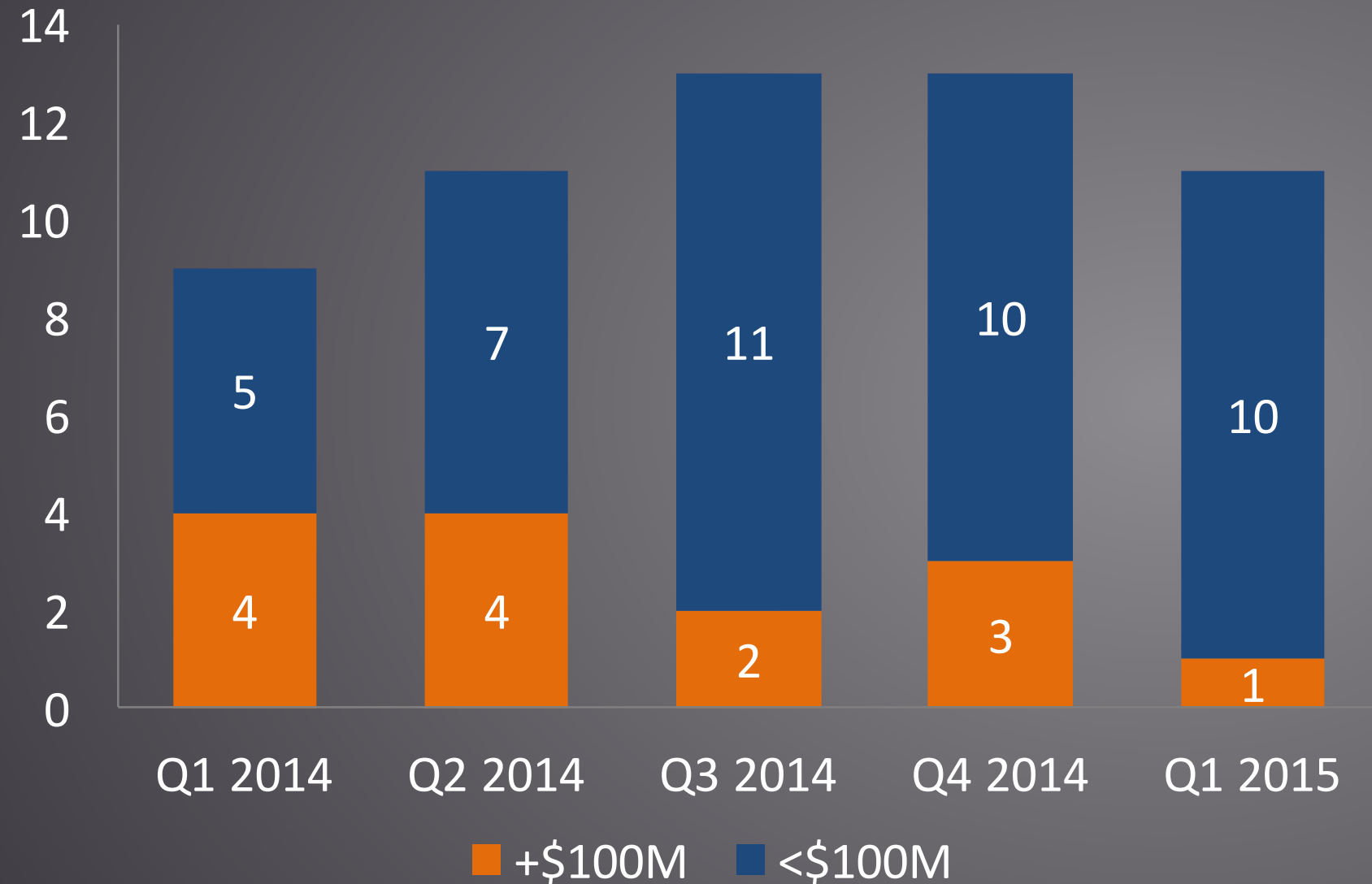
# Ad Tech – Notable Deals

|  | Acquirer  | Capital Raised | Enterprise Value | Comments   |
|--|---|----------------|------------------|--|
|    |    | \$18.5M        | \$100M           | AppNexus' acquisition of Yieldex and its industry leading publisher tools will strengthen the company's position in the programmatic direct market.      |
|    |    | \$32M          | \$200M           | By adding data management platform Exelate, Nielsen will be able to offer clients media measurement data and programmatic advertising data.              |
|    |    | NA             | NA               | Rakuten will integrate its customer data with Deep Forest Media's device matching ability to help brands serve hyper-local ads across all devices.       |
|   |   | NA             | NA               | Triton Digital's a2x technology was one of the first programmatic audio ad exchanges. The acquisition shows the growing interest in the audio ad market. |
|  |  | \$18.6M        | \$122M           | Rubicon Project acquired Chango in order to bring keyword, contextual targeting and retargeting budgets to its premium advertising marketplace.          |



# MarTech M&A Activity

## # of Transactions





### ➤ Key Trend – Social Tools

- In Q1 MarTech started the year with 11 acquisitions
- Social media management was a focus in Q1 with Cision acquiring Viralheat and Sprinklr acquiring Pluck

### ➤ Looking Ahead – Commerce

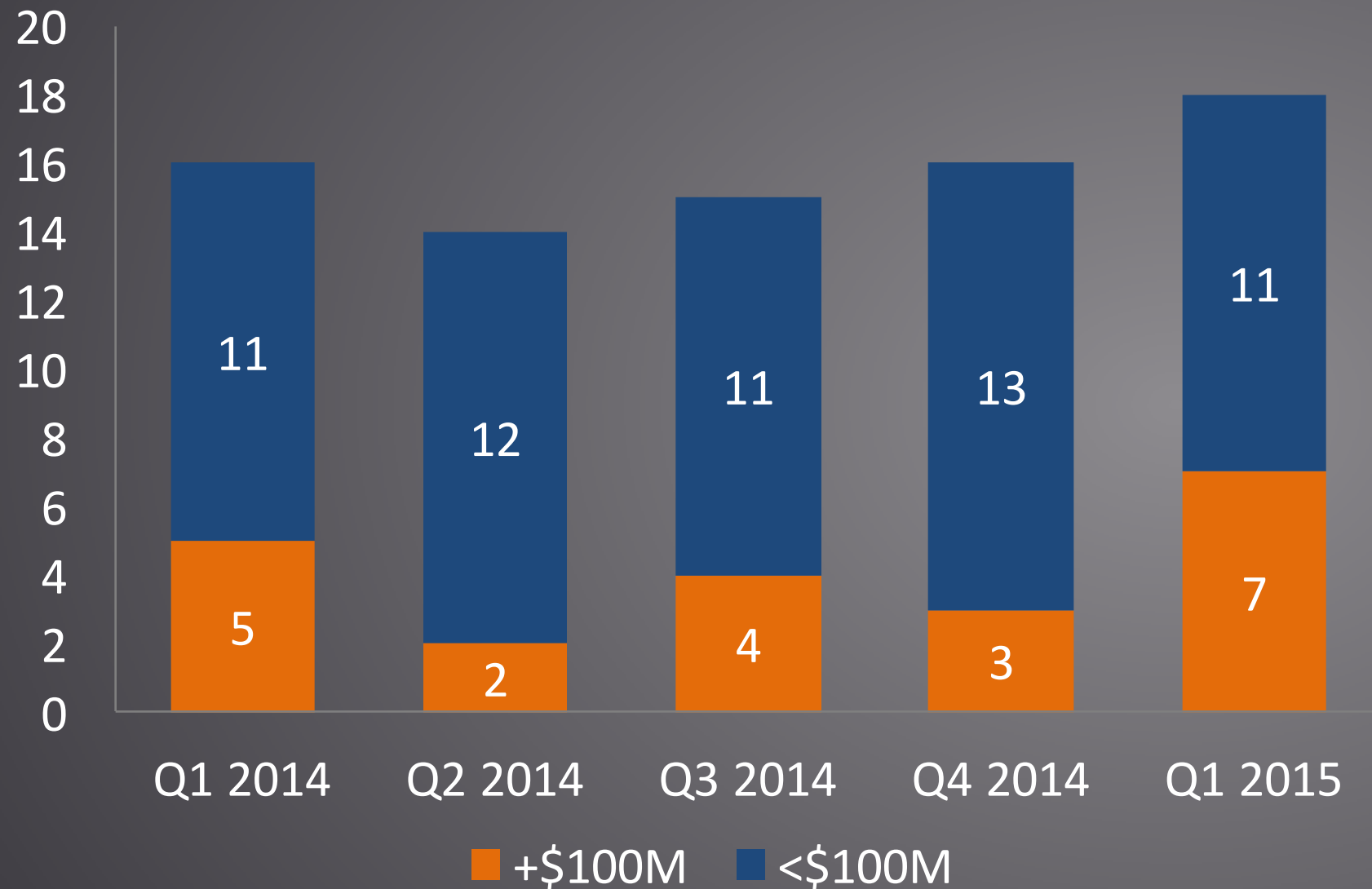
- We expect to see online and offline commerce start to become more integrated this year as companies better address the customer journey and build on the growing adoption of mobile payments

# MarTech – Notable Deals

|  | Acquirer  | Capital Raised | Enterprise Value | Comments  |
|--|---|----------------|------------------|---|
|  |  | \$28M          | \$125M           | Dun & Bradstreet will combine its commercial database with NetProspex's professional contact database to bring more value to B2B marketers. |

# Digital Content M&A Activity

## # of Transactions









### ➤ Key Trend – Personal Fitness

- Within Digital Content there were 18 deals in the first quarter
- FitBit and Under Armour were particularly active, acquiring popular fitness applications

### ➤ Looking Ahead – Content Distribution

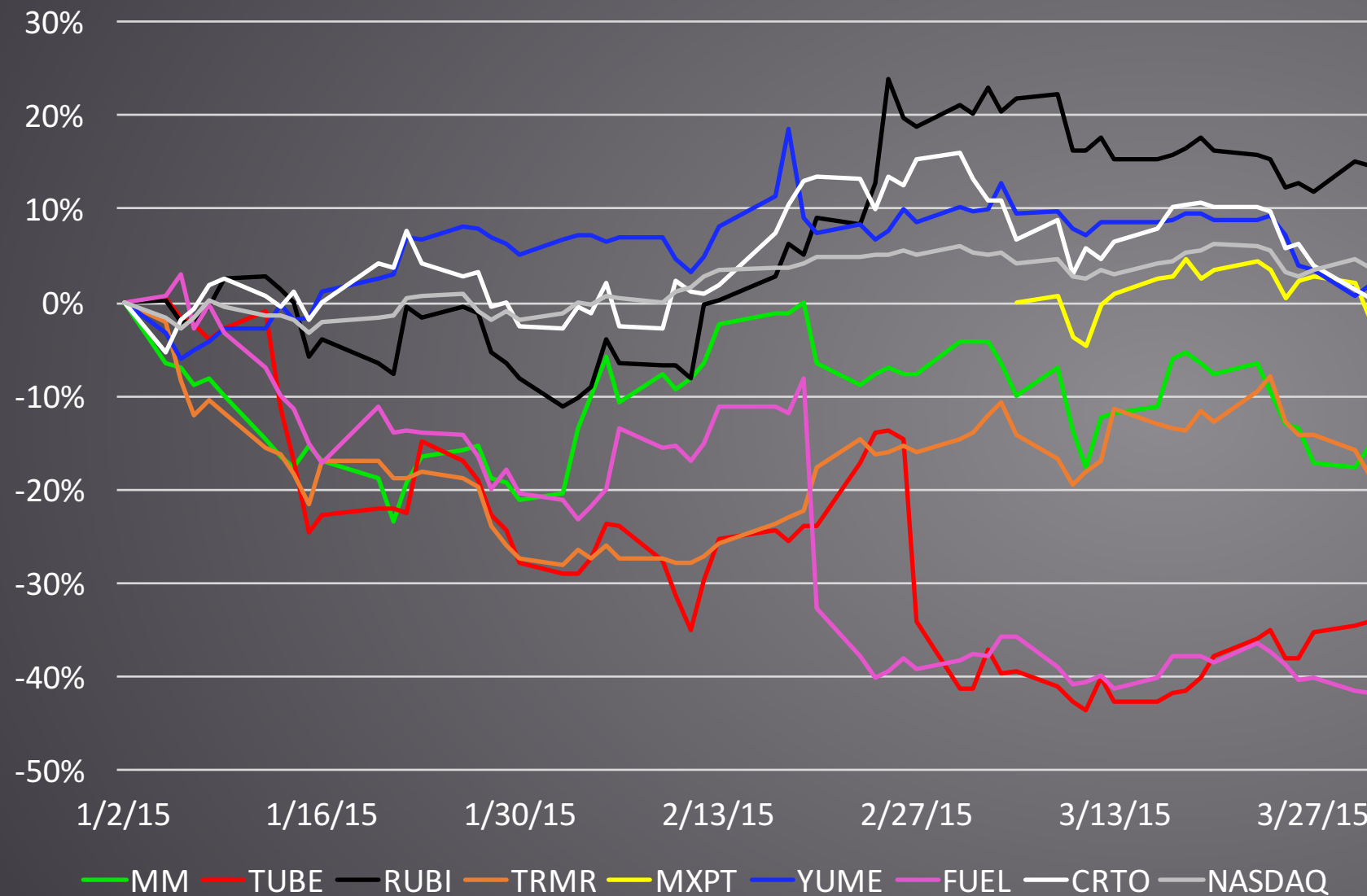
- We expect the distribution of content to change
- Major social networks and video platforms will explore new ways to engage consumers, impacting all types of content creators

# Digital Content – Notable Deals

|   | Acquirer  | Capital Raised | Enterprise Value | Comments  |
|---|---|----------------|------------------|---|
|  |  | N/A            | ~\$100M          | Twitter acquired Periscope, a live-streaming video app, prior to its official launch  |
|  |  | \$7M           | \$150M           | King, the maker of Candy Crush Saga, has acquired its first U.S.-based game studio, Z2, which publishes mobile and PC games.                    |
|   |  | \$18M          | \$475M           | Under Armour's acquisition of MyFitnessPal officially shows the sportswear giant's ambition to become a complete digital platform for athletes. |

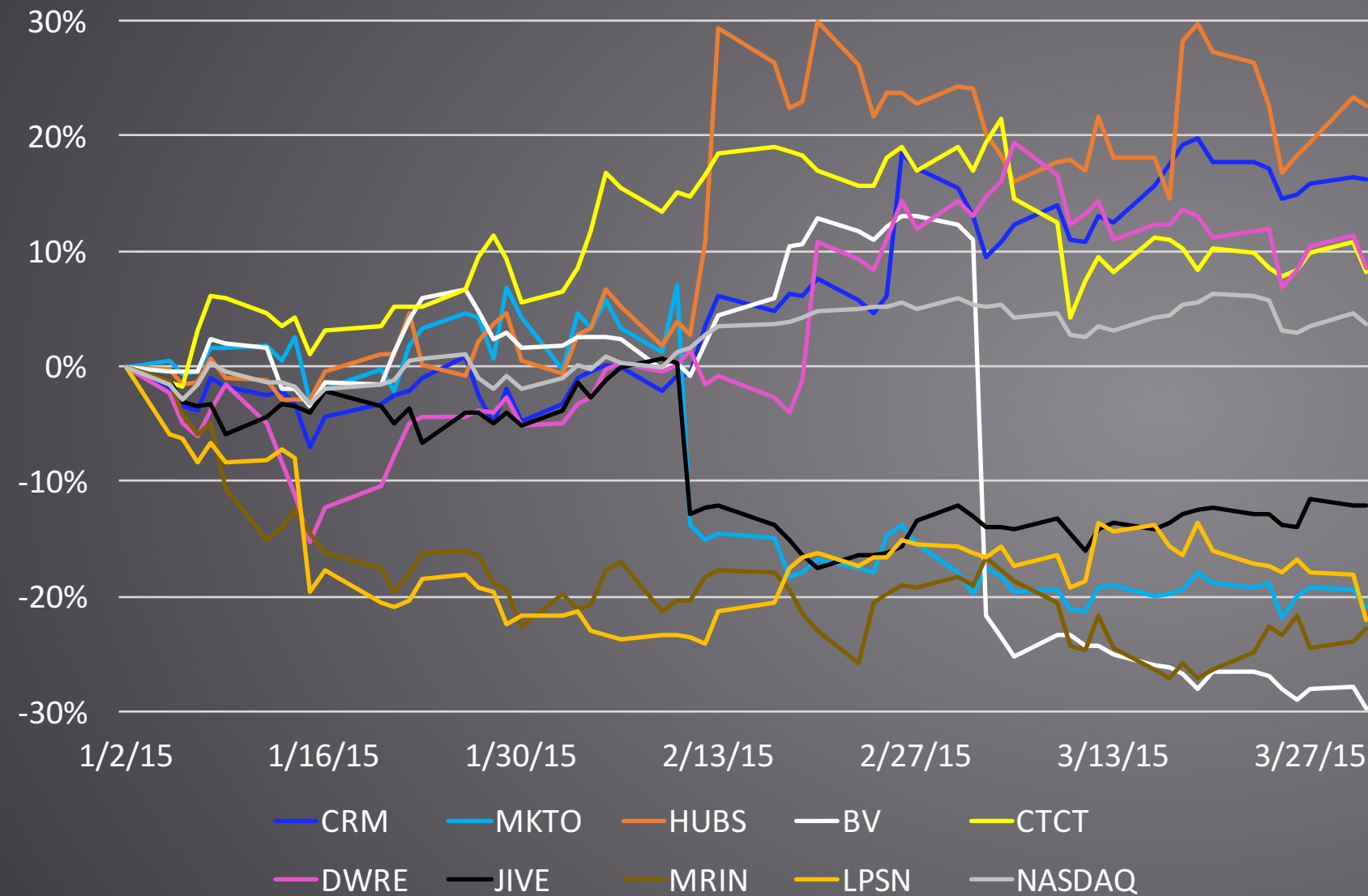


# Ad Tech – Q1 2015 Stocks Performance



- **Ad Tech Continues its Free Fall**
  - The public markets are still confused with the sector as Ad Tech stocks fell 12% on average
  - TUBE and FUEL led the sector decline, falling nearly 40% together
- **IPO Activity**
  - On March 6<sup>th</sup>, MXPT was the first Ad Tech company to go public since RUBI in Q2 2014
  - At the end of the quarter, MXPT finished near its first day closing price, but below its IPO price of \$11.50

# MarTech – Q1 2015 Stocks Performance













## ➤ MarTech Also Falls

- MarTech stocks fell on average 9 percent during Q1 but grew 13% as a sector, driven by strong gains from CRM
- Despite strong growth numbers, weak revenue forecasts are disappointing Wall Street

## ➤ Bright Spots

- In its 1<sup>st</sup> full quarter as a public company HUBS grew over 20% and over 30% since its IPO
- CRM continues to grow revenues at astounding rates and the stock price is being rewarded (up over 10% in Q1)

# Key Startup Financings to Watch

|  | Lead Investor   | Capital Raised     | Valuation | Comments   |
|--|---|--------------------|-----------|--|
|  snapchat        |    | \$200M<br>Series E | \$15B     | Snapchat's vision of becoming a media company is quickly taking shape. Large publishers like ESPN and Yahoo are hosting original content on its platform.  |
|  inside sales.com |    | \$60M<br>Series D  | \$1B      | InsideSales's latest round of financing represents investors' rising interest in big data and predictive analytics changing how sales teams execute deals. |
|  CYANOGEN        | Premji Invest   | \$80M<br>Series C  | \$1B      | Strategic investors are betting on Cyanogen, a Google services-free version of Android, to be the the third leading mobile OS in the market.               |
|  Dataminr®      |   | \$130M<br>Series D | \$700M    | Dataminr, a real-time social analytics company, has raised money to expand its service into finance, government, and other enterprise verticals.           |
|  QUIXEY        |  | \$60M<br>Series C  | \$600M    | Mobile app search engine, Quixey, is pioneering "deep linking" which enables users to discover and navigate through content from one app to another.       |
|                | greylockpartners.   | \$12M<br>Series B  | \$52M     | Investors believe the time is right for mobile livestreaming video to take off and become a new communication tool from the popularity of Meerkat.         |



# LUMA's Recent M&A Deals

March 2015

**yieldex**

has been acquired by

**appnexus**

The undersigned acted as exclusive financial advisor to Yieldex, Inc.

**LUMA**  
partners

December 2014

**millennialmedia**

has agreed to acquire

**NEXAGE**

The undersigned acted as exclusive financial advisor to Millennial Media, Inc.

**LUMA**  
partners

November 2014

**iSOCKET**

has been acquired by

**rubicon PROJECT**

The undersigned acted as financial advisor to iSocket, Inc.

**LUMA**  
partners

September 2014

**[x+1]**

has been acquired by

**rocketfuel**

The undersigned acted as financial advisor to [x+1], Inc.

**LUMA**  
partners

July 2014

**adconion direct**

has been acquired by

**[a·mo·bee]**  
a subsidiary of

**SingTel**

The undersigned acted as exclusive financial advisor to Adconion Media Group Limited

**LUMA**  
partners

April 2014

**rubicon PROJECT**

Initial Public Offering

\$116,799,660

LUMA Securities, a wholly-owned broker-dealer of the undersigned, acted as underwriting co-manager to The Rubicon Project, Inc.

**LUMA**  
partners

## ➤ LUMA Activity

- LUMA announced the Yieldex sale to AppNexus which, following the iSocket sale to Rubicon, was the second scaled transaction in the automated guaranteed ad tech category

## ➤ A Look Ahead

- We have never been busier and anticipate a rise in the number of deals coupled with an increase in the size of deals as industry consolidation continues or even accelerates



# LUMA's Differentiated Value Proposition



- LUMA has developed a differentiated value proposition based on:
  - Focus
  - Expertise
  - Objective Credibility
  - Trust
  - Performance
- LUMA has built a differentiated global brand
- We leverage our brand to optimize financial and strategic objectives of select quality clients

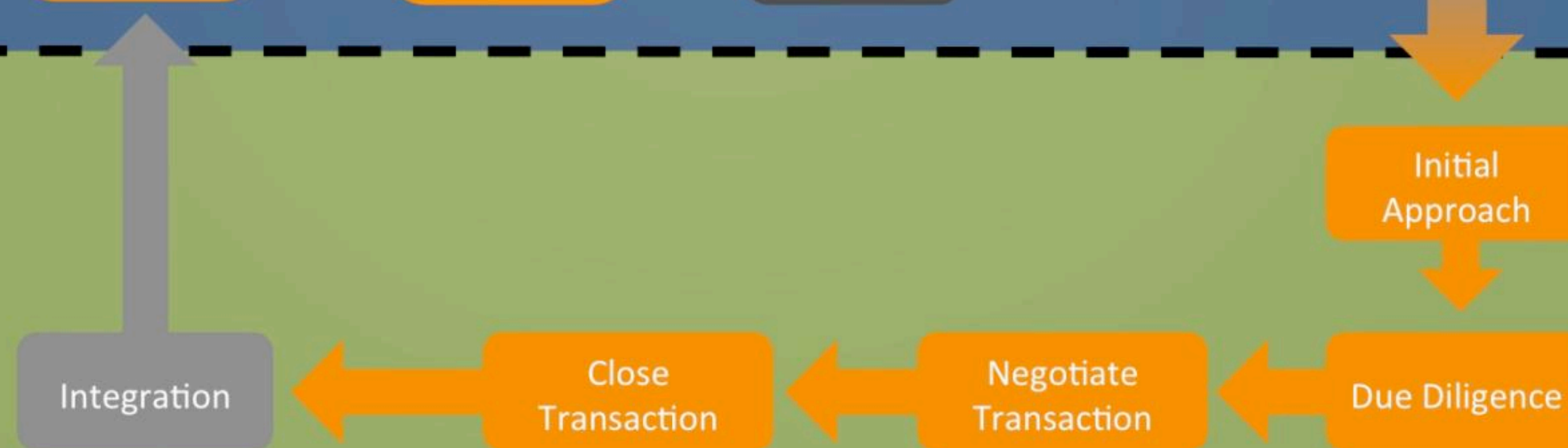
# LUMA's Differentiated Strategic Approach

- Rather than pitch inventory, LUMA optimizes outcomes for quality growth companies by making matches with strategic buyers

STRATEGIC



TARGET



Acts as  
consultant to  
strategic  
decision makers

Acts as  
banker to  
target  
company

- This approach makes LUMA an excellent choice if companies receive inbound interest





# LUMA's Content-Driven, Expert-Based Approach



**LUMAscapes**  
(over 3 million views  
from 175 countries)



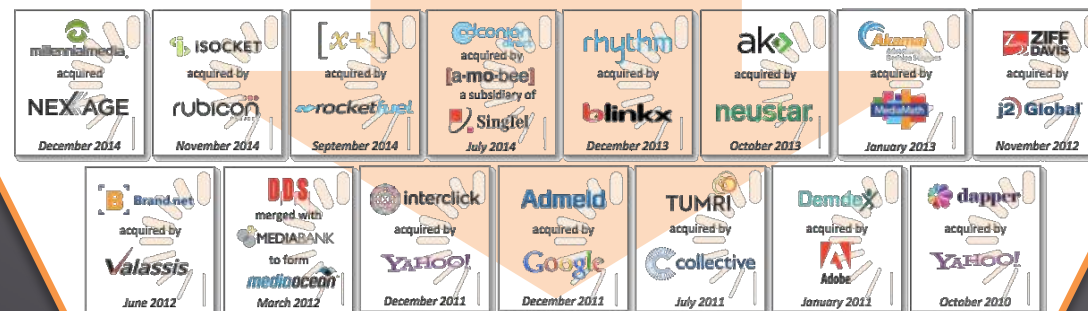
**Publications**  
(over 750,000 views)



**Conference  
Keynotes**



**Corporate  
Teach-ins**



**Completed  
Deals**



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