

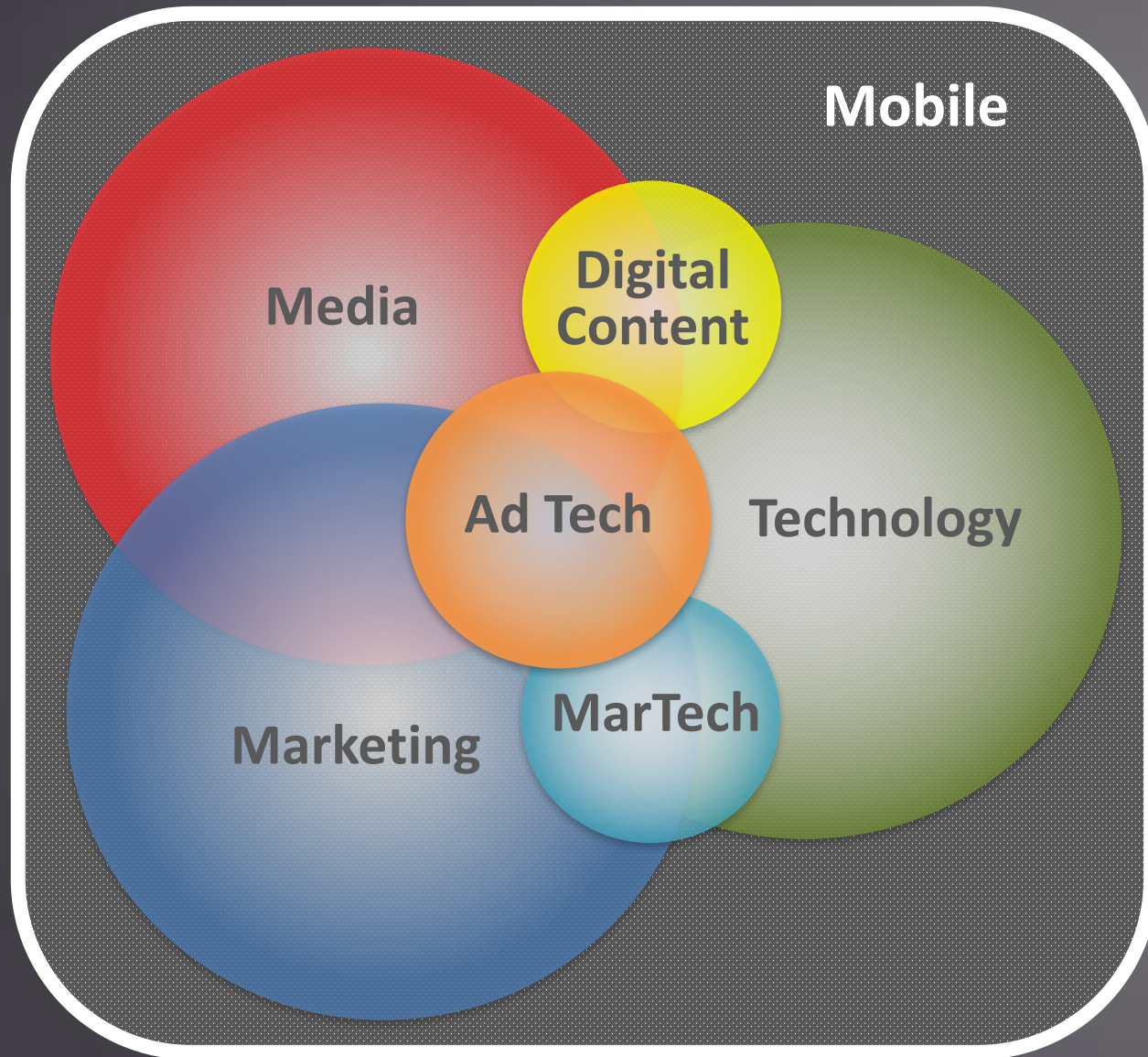


## Digital Brief 006

# Q4 2015 Market Report

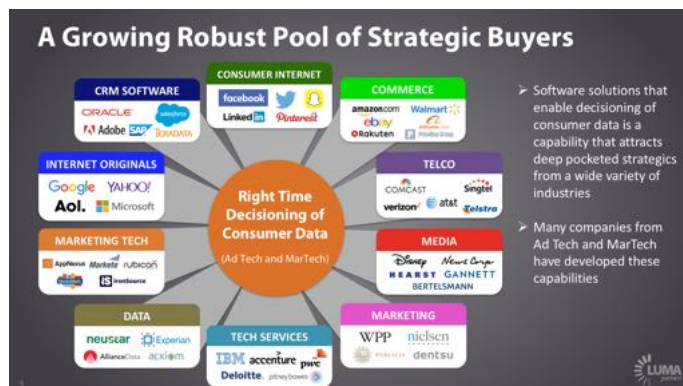
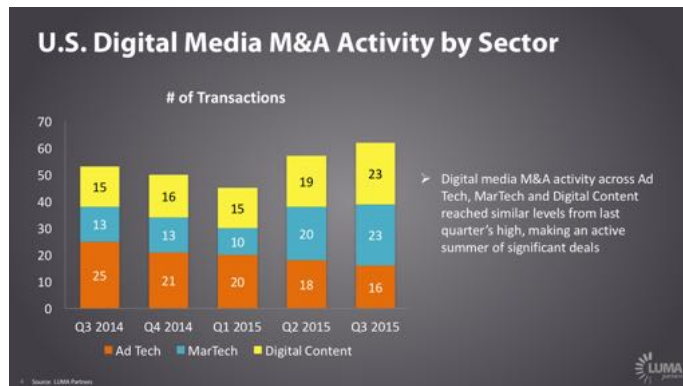
October	November	December
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# LUMA's Singular Focus on Digital Media



- 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

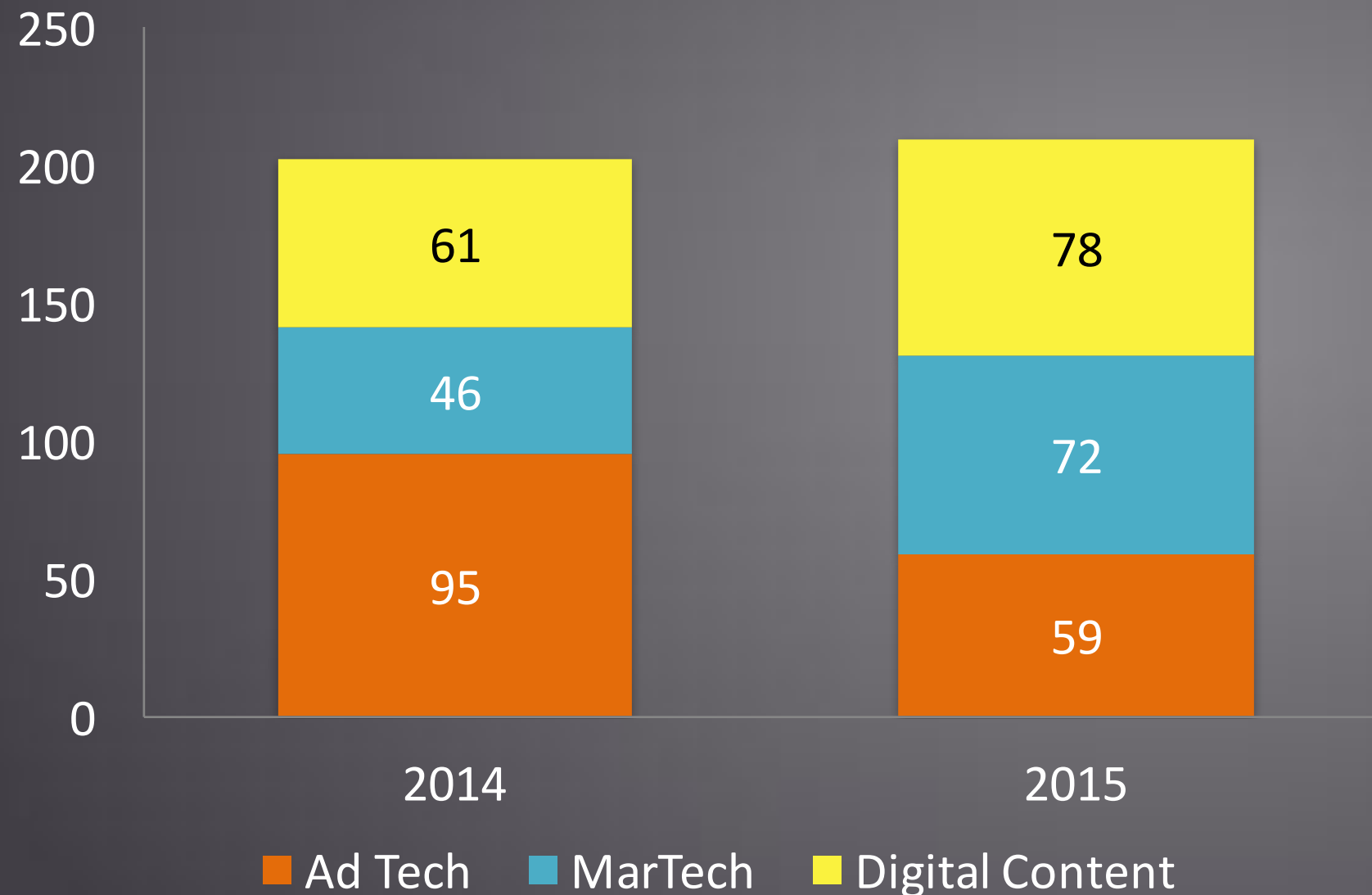
# Overall Commentary on Consolidation



- In our third **Market Update**, we reported 59 acquisitions in digital media, highlighted by strategic buyers in Media, Marketing Technology, and Commerce
- 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

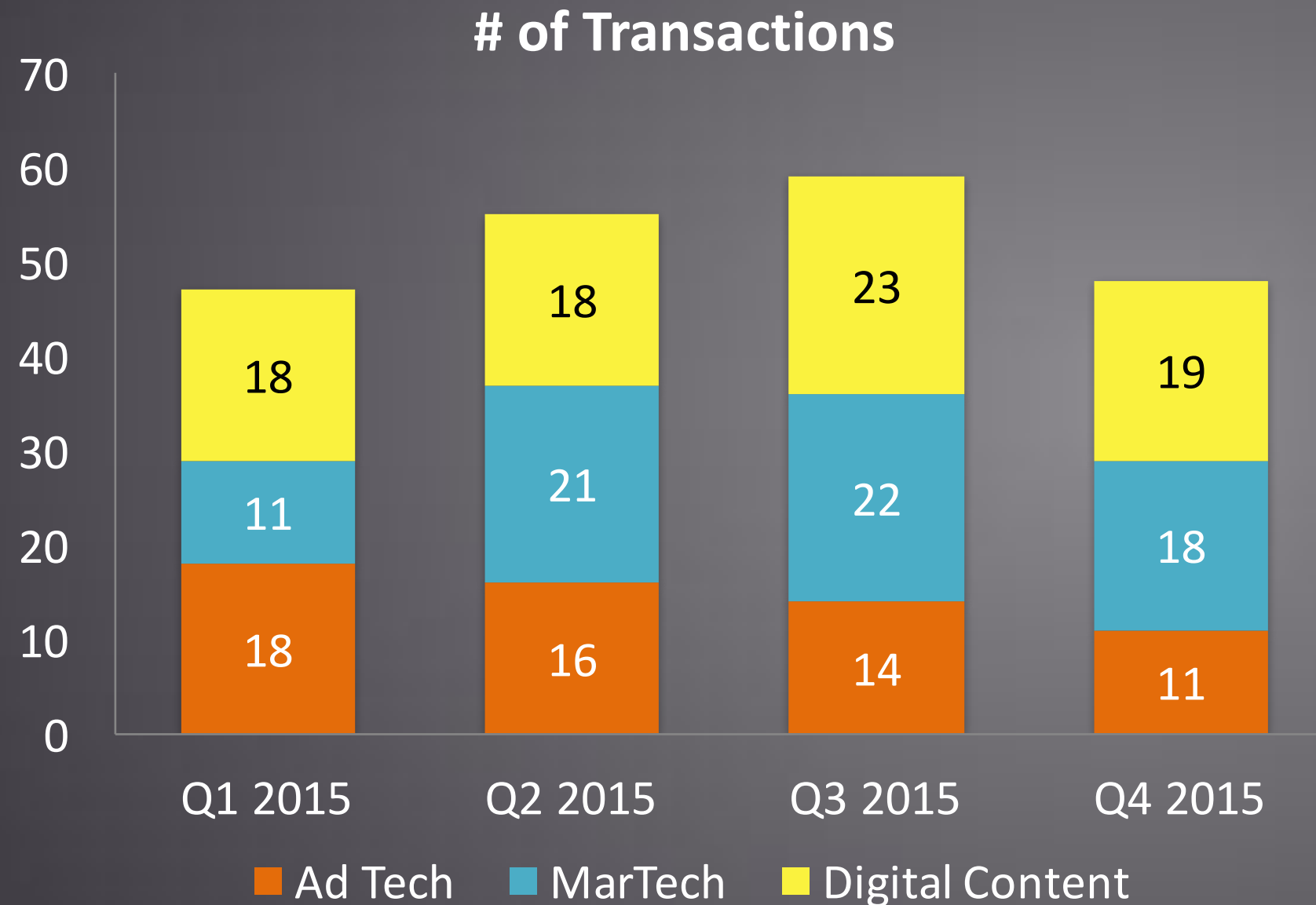
# U.S. Digital Media M&A Activity by Sector

## # of Transactions



- In 2014 we saw the inflection point of rising programmatic advertising spend and very strong Ad Tech M&A activity to reflect it
- In 2015 M&A in digital media and marketing transactions exploded as strategic interest increased significantly

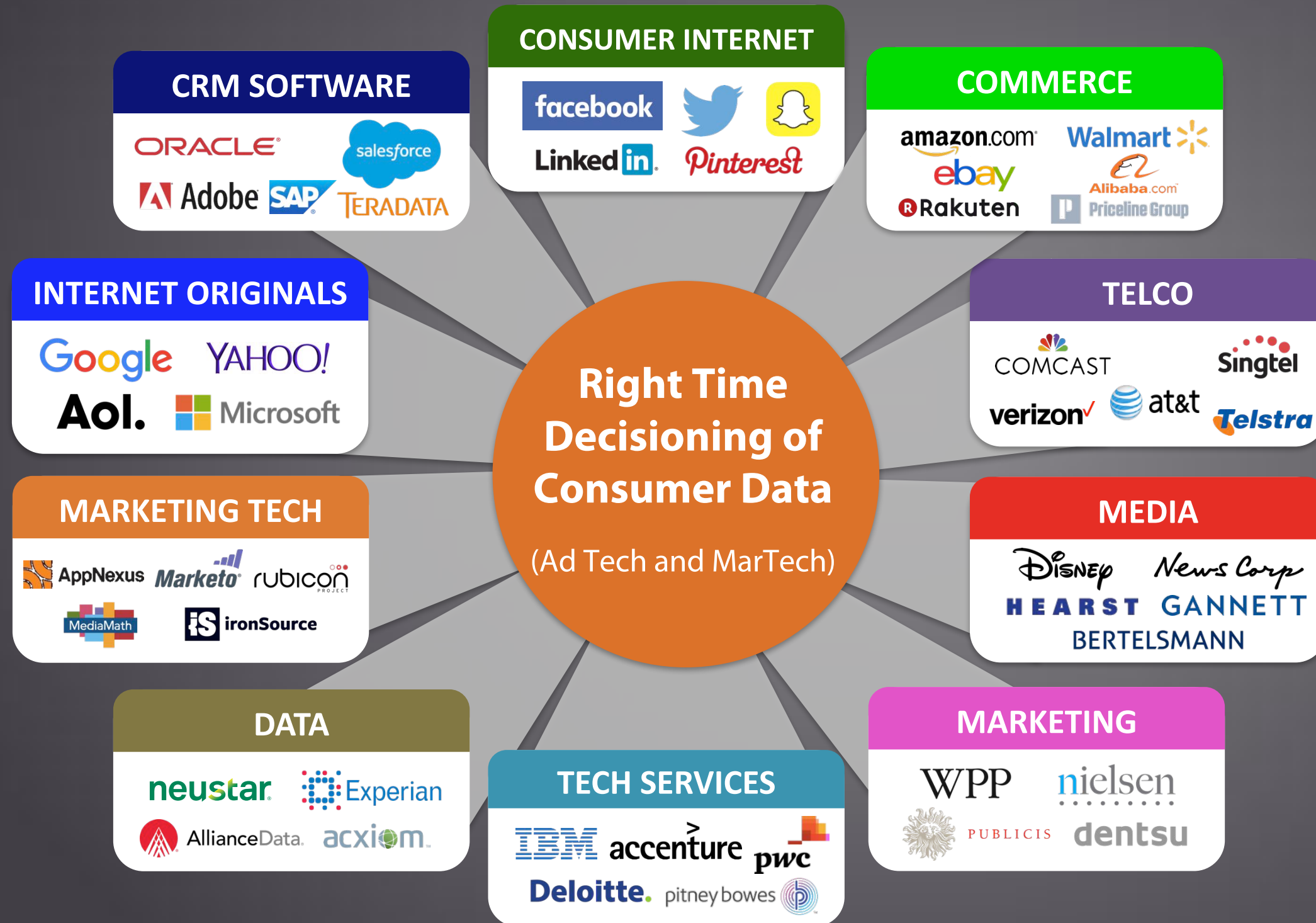
# U.S. Digital Media M&A Activity by Sector



➤ M&A activity slowed during Q4, but still completed an eventful year for deals

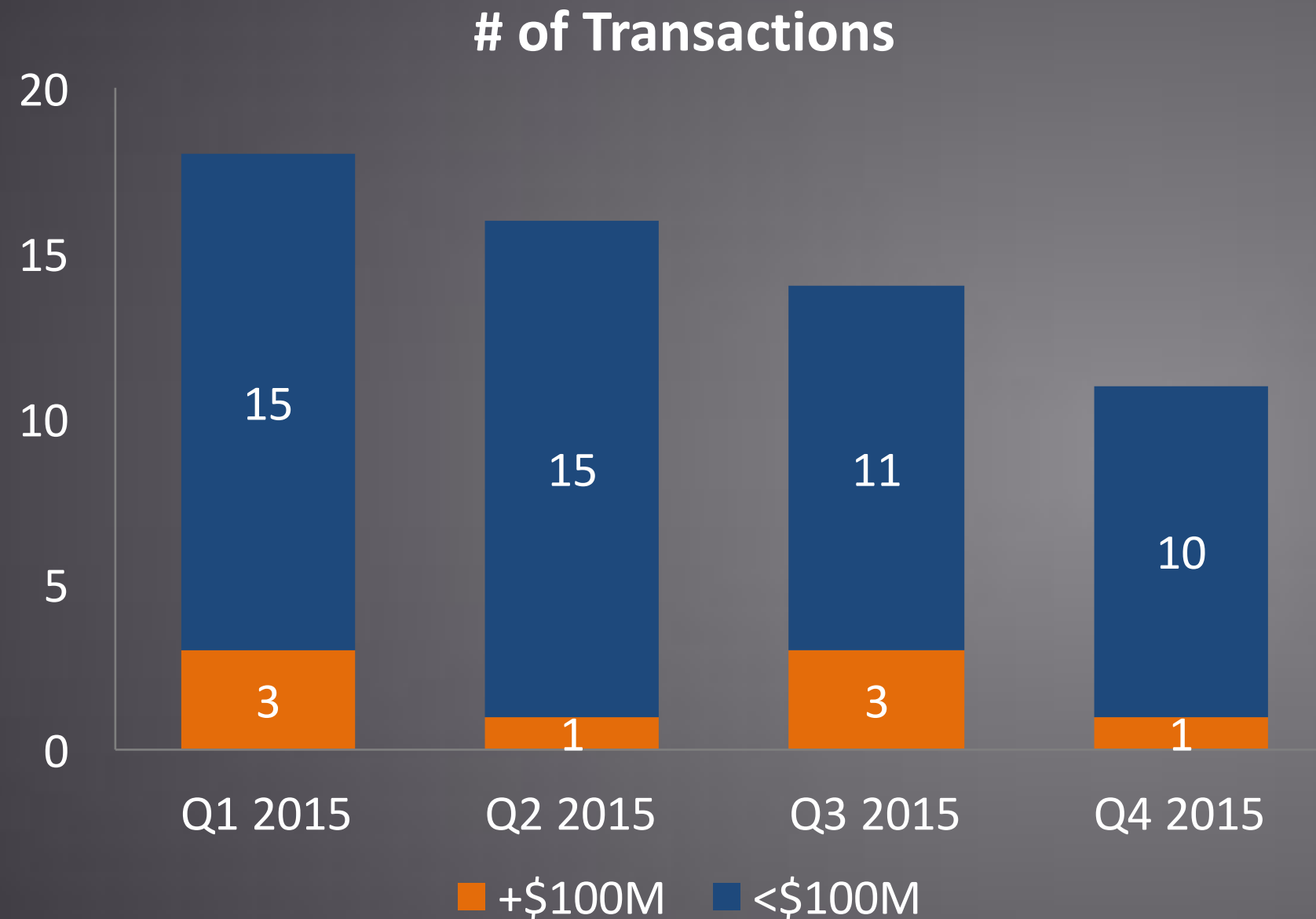


# A Growing Robust Pool of Strategic Buyers



- 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



## ➤ Full Year Observations











- The growing pool of new strategic buyers will be the catalyst for M&A in Ad Tech for years to come
- Mobile and video made up most of the largest exits this year, confirming the direction the industry is headed

## ➤ Looking Ahead – Cross Channel Tools

- Outside media intermediation, we expect to see ongoing emphasis in workflow automation, measurement, and analytics, as the ecosystem seeks to simplify processes across channels and gain more holistic insights

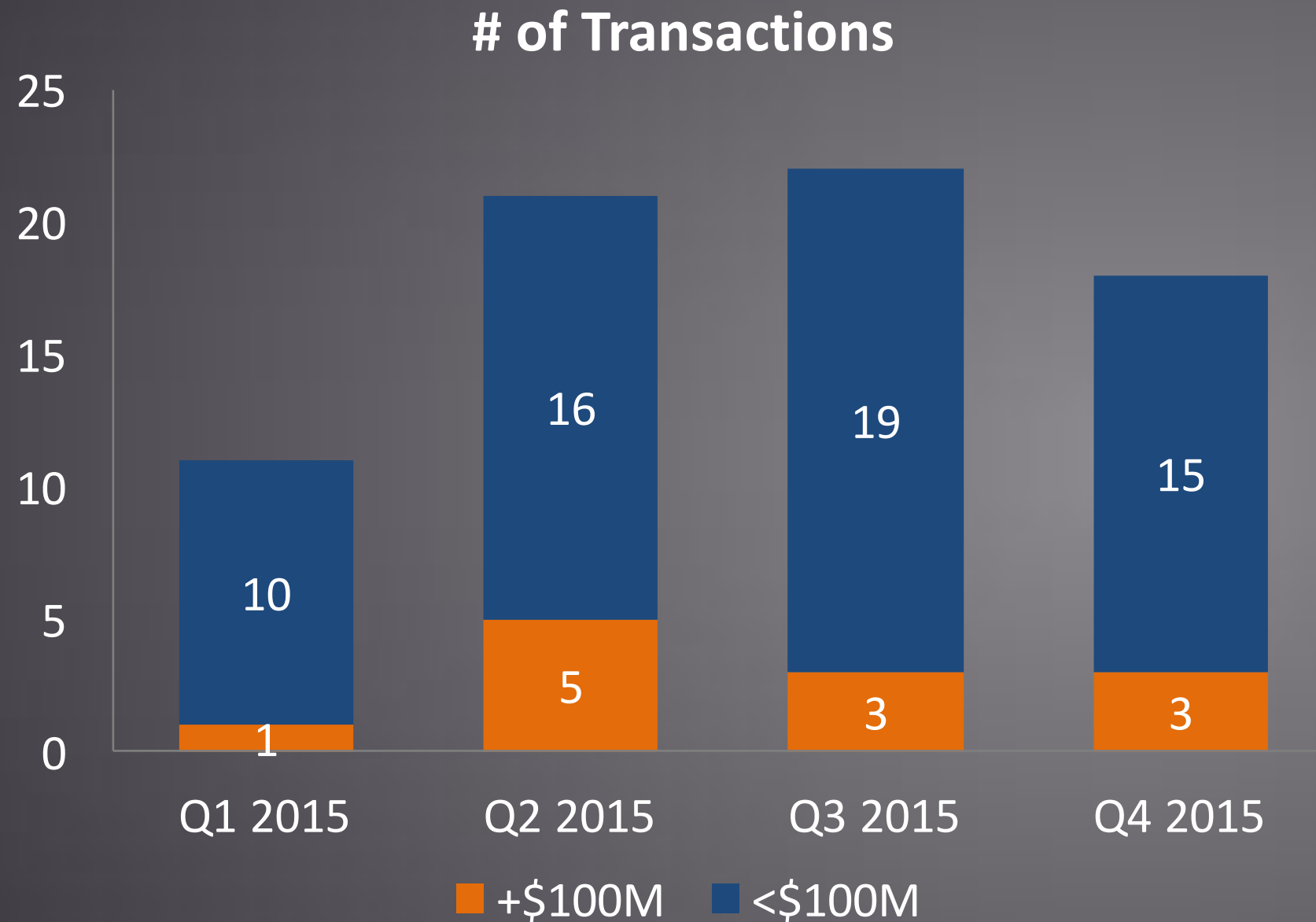


# Ad Tech – 2015 Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		\$32M	\$200M	By adding data management platform Exelate, Nielsen will be able to offer clients media measurement data and programmatic advertising data
	 Vista Equity Partners	\$40M	\$720M	Vista Equity Partners acquired Mediaocean, a leading workflow and planning automation company, to further develop its digital video and TV products
		\$18M	\$533M	Twitter's mobile ad capabilities will become more sophisticated after integrating with TellApart's retailer-focused retargeting technology
	<b>Aol.</b>	NYSE	\$238M	AOL's acquisition of mobile ad network Millennial Media is the missing piece to Verizon's complete advertising strategy
	<i>News Corp</i>	\$25M	\$176M	With the acquisition of Unruly, News Corp will gain access to the company's expertise in video distribution and Ad Tech platform for its long list of brands
		NASDAQ	\$732M	The merger forms a comprehensive data platform that combines ComScore's digital audience data with Rentrak's census-based data on TV



# MarTech M&A Activity















## ➤ Full Year Observations

- Email, data management and analytics remained key acquisition target areas
- 2015 saw acquisitions of early predictive analytics tools such as Fliptop and C9

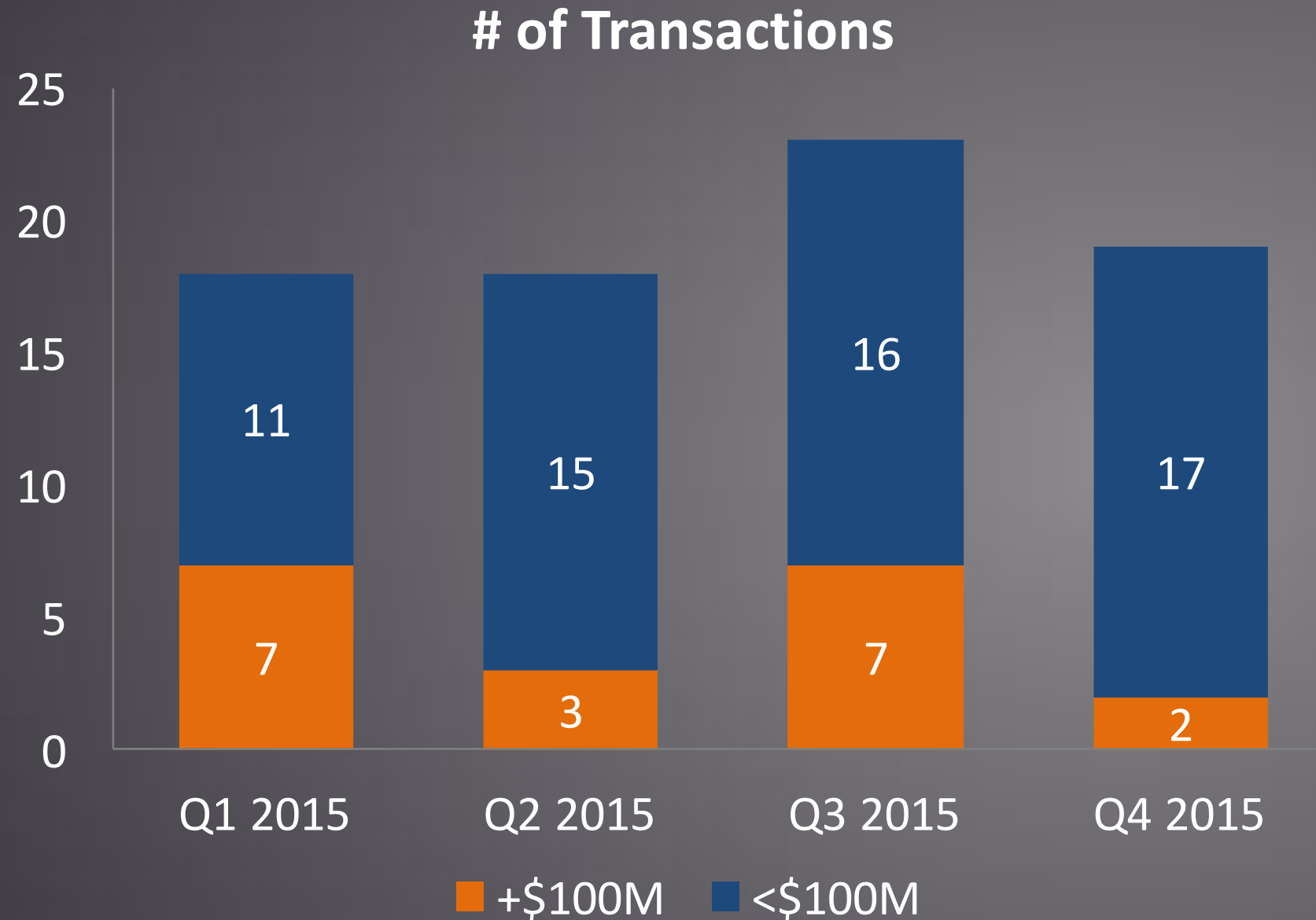
## ➤ Looking Ahead – Convergence

- MarTech acquisition activity is expected to be high in 2016, with buyers across the “marketing clouds,” eCommerce and internet sectors targeting sectors such as identity, predictive analytics, data management and “Sales Tech”

# MarTech – 2015 Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		\$154M	\$600M	MasterCard acquired Applied Predictive Technologies which offers cloud-based predictive analytics that are used for marketing and pricing strategies
		N/A	\$4B	The acquisition of Dealertrack and its digital marketing services for dealerships will enable Cox Automotive to create a broader suite of tools for the automotive industry
		NASDAQ	\$925M	Permira Funds acquired eBay Enterprise which includes four different divisions: Magento, eBay Marketing Solutions, Enterprise Services and Operations
		N/A	\$841M	Cision, a provider of PR and social media technology services, acquired PR Newswire to help its clients better manage the lifecycle of communications
		NASDAQ	\$1.1B	Endurance International Group, a provider of web hosting, will acquire email giant Constant Contact to expand its growing digital marketing capabilities
		\$88M	\$450M	With the acquisition of MarketShare, Neustar adds a leading omni-channel marketing solution to its product suite as it transitions into a digital marketing-first company

# Digital Content M&A Activity















## ➤ Full Year Observations

- Digital content M&A this year was highlighted by companies buying new businesses outside their core business from Under Armour acquiring mobile app MyFitnessPal to LinkedIn acquiring online learning company Lynda.com

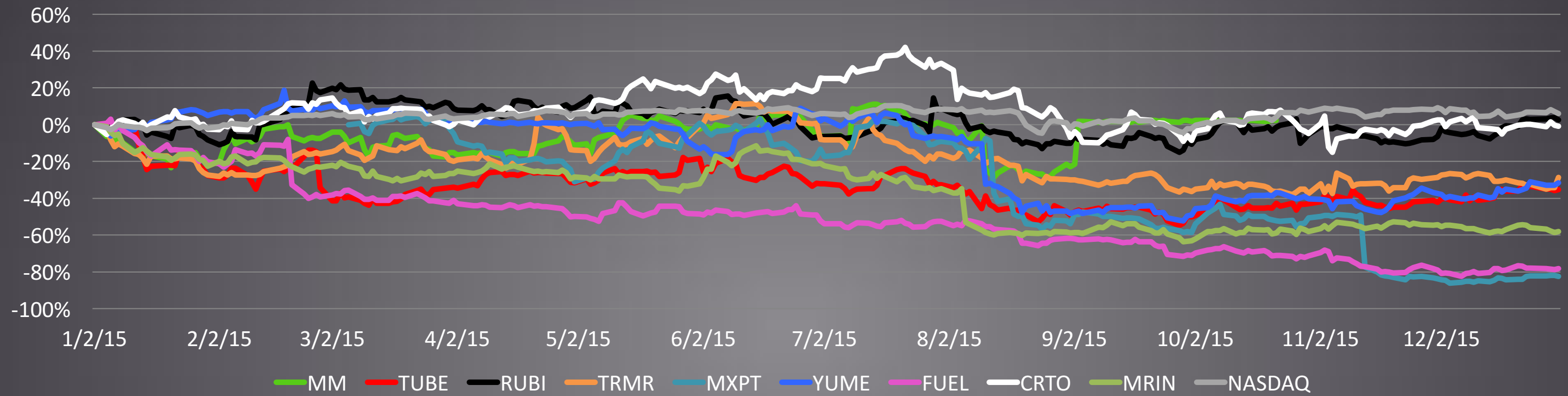
## ➤ Looking Ahead – Golden Age of Content

- The new Golden Age of Content is driving increased strategic interest to publishers that have achieved scale across all channels and significant footholds in premium video

# Digital Content – 2015 Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		\$18M	\$475M	Under Armour's acquisition of MyFitnessPal signifies the sportswear giant's ambition to become a complete digital platform for athletes
		\$289M	\$1.5B	By buying online learning company Lynda.com, LinkedIn adds education to its core business of connecting job seekers with new opportunities
		\$55.6M	\$442M	German publisher Axel Springer acquired digital news publisher Business Insider to broaden its international audience and diversify its English-language brands
		NYSE	\$5.9B	Console video gaming giant Activision / Blizzard acquired "Candy Crush" creator King to strengthen its foothold in mobile gaming where the market is expanding quickly
		N/A	\$4.2B	Verizon has agreed to acquire AOL in order to expand the telecom giant's content and advertising business
		N/A	\$575M	By acquiring PlentyofFish and its 90 million users, IAC further strengthens its portfolio of digital dating properties which include Match.com, Tinder, and OkCupid

# Ad Tech – 2015 Stocks Performance



## ➤ More of the Same in Q4 for Ad Tech

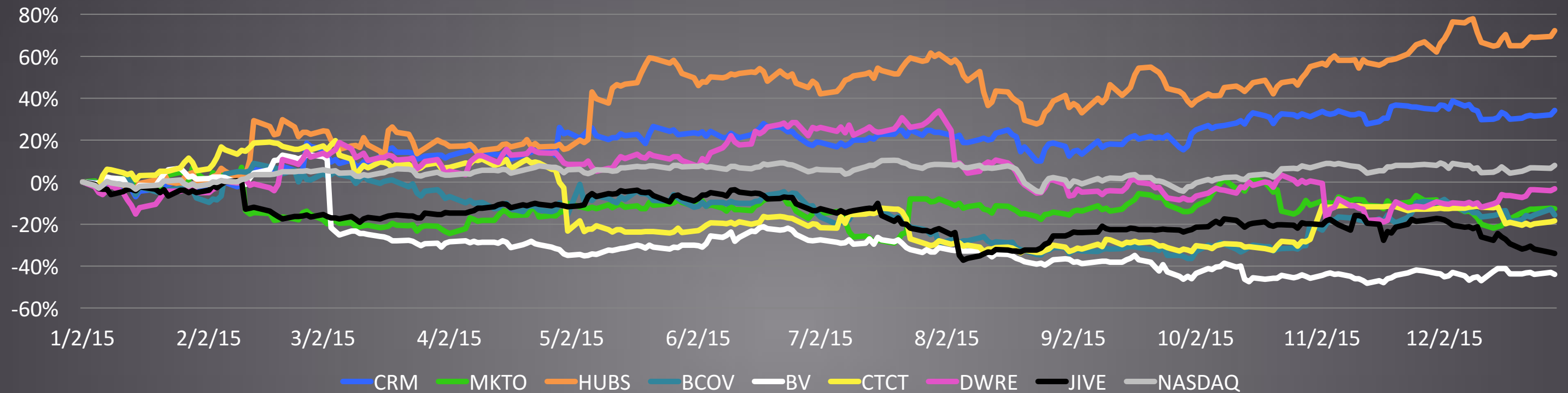
- Collectively, Ad Tech stocks fell 5% in the final quarter of the year
- TUBE soared in Q4, rising 30%, but is still almost 40% off of its high
- MXPT continues to struggle in the public markets, plummeting over 58% in the quarter

## ➤ Programmatic vs Managed Service

- Although the sector faced a tumultuous year, falling over 35%, technology-first programmatic companies are showing strength in their business models
- Managed service companies on average fell over 47%












# MarTech – 2015 Stocks Performance



## ➤ MarTech Closes Strong in Q4, After a Difficult Year

- The sector outperformed the NASDAQ in the quarter, soaring 9%
- The biggest bright spot in Q4 was BCOV, climbing more than 26% after dropping 36% at the end of Q3
- While Q4 was strong, most of the MarTech / SaaS companies struggled in 2015, declining more than 4%
- Of the eight public MarTech companies, only CRM and HUBS finished year in positive territory, growing 34% and 68%, respectively

# Q4 Key Startup Financings to Watch

	Lead Investor	Capital Raised	Valuation	Comments
	The Walt Disney Company	\$200M	\$4.4B	Vice Media has raised more capital to build its media brand across all platforms from television to virtual reality
APPDYNAMICS		\$158M	\$1.9B	AppDynamics, an application performance management platform, now has over 1,600 customers and is preparing for an eventual initial public offering
		\$53M	N/A	Tag management provider Enlighten will be using its new capital to push innovation and sales of its growing omni-channel customer data platform
	BERTELSMANN	\$105M	\$1.0B	Online education company Udacity has raised a new round of funding as it reaches profitability with 11,000 paying students
		\$75M	N/A	Earnest, a company trying to reimagine lending, is tackling now a very crowded market that is ripe for disruption and technology intermediation
		\$350M	\$1.4B	Jet.com recently moved away from an annual membership model to focus on its pricing engine and “Smart Carts” that give customers the lowest prices

# LUMA's Recent Content



## State of Digital Marketing Presented at DMS West 15

- At our inaugural Digital Marketing Summit, we presented the State of Digital Marketing, which provides our views on the market and significant trends in the digital marketing ecosystem



## The State of Digital Video Presented at VidCon 2015


- At VidCon 2015 we presented our views on the rise of the digital video market and its surge against traditional TV



## Digital Brief 004 Back to Mad Men

- In our fourth Digital Brief we explained what the future holds for ad agencies and five strategies they make take in a competitive marketplace

# LUMA's M&A Deals in 2015

<p>December 2015</p> <p><b>MarketShare</b></p> <p><i>has been acquired by</i></p> <p><b>neustar</b></p> <p><i>The undersigned acted as co-financial advisor to MarketShare Partners.</i></p> <p><b>LUMA</b> partners</p>	<p>September 2015</p> <p><b>UNRULY</b></p> <p><i>has been acquired by</i></p> <p><i>News Corp</i></p> <p><i>The undersigned acted as exclusive financial advisor to Unruly Holdings Limited, Inc.</i></p> <p><b>LUMA</b> partners</p>	<p>October 2015</p> <p> <b>millennialmedia</b></p> <p><i>has been acquired by</i></p> <p><b>Aol.</b> <i>a division of</i> <b>verizon</b></p> <p><i>The undersigned acted as exclusive financial advisor to Millennial Media, Inc.</i></p> <p><b>LUMA</b> partners</p>	<p>May 2015</p> <p><b>MYBUYS</b></p> <p><i>has merged with</i></p> <p><b>MAGNE+IC</b></p> <p><i>The undersigned acted as exclusive financial advisor to MyBuys, Inc.</i></p> <p><b>LUMA</b> partners</p>	<p>April 2015</p> <p><b>yieldex</b></p> <p><i>has been acquired by</i></p> <p> <b>appnexus</b></p> <p><i>The undersigned acted as exclusive financial advisor to Yieldex, Inc.</i></p> <p><b>LUMA</b> partners</p>
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# MarketShare to be Acquired by Neustar



LUMA Partners acted as Financial Advisor to MarketShare Partners

Announced November 5, 2015

MarketShare

acquired by

neustar

December 2015



## Overview

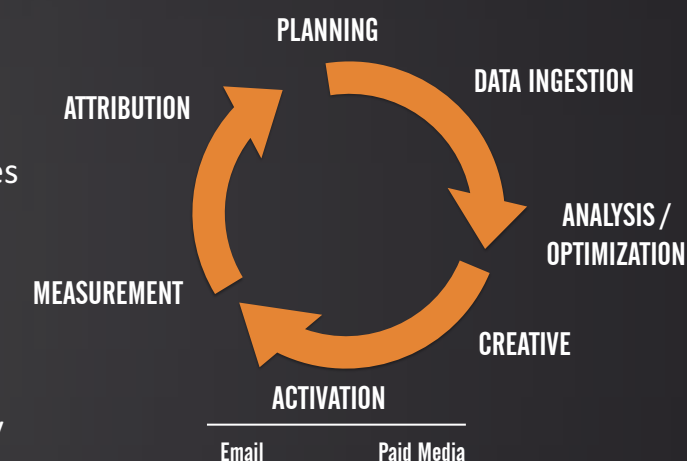
- On 11/05/2015, Neustar announced that it would acquire MarketShare Partners for \$450 million in cash
- The transaction is expected to result in approximately \$60 million in tax benefits and \$10-\$15 million of cost synergies
- Deal terms:
  - Enterprise value: \$450 million
  - EV/LTM Revenue: 7.9x
  - EV/2015E Revenue: 7.5x
  - EV/2016E Revenue: 5.0x



## Strategic Rationale

- Through the acquisition of MarketShare, Neustar will gain access to the company's expertise in marketing planning and cross-channel attribution
- Neustar has evolved in recent years from an information and security business to a broader information services and software business, with a strong focus on marketing technologies. MarketShare, with its CMO-level offerings, broadens Neustar's MarTech solutions and elevates its importance to CMOs
- MarketShare has top-tier clients, including Ford, Best Buy, Hilton, The Home Depot, Neiman Marcus, Intel, SAP, MasterCard, The Pottery Barn and SAB Miller, enabling cross-sell between Neustar and MarketShare customers
- Enables MarketShare to join forces with a company who has long been an expert in first-party data, a vital asset in digital marketing today

## 360° Marketing Cycle



MarketShare

- MarketShare helps marketers grow revenue. Combining advanced analytics technology, scientific leadership and deep domain expertise, MarketShare enables large companies to measure, predict and dramatically improve Marketing's impact on revenue—typically generating a 20%-30% improvement in marketing effectiveness and 3%-4% revenue increase, yielding a 3x-50x first-year ROI. Widely considered the market leader, MarketShare helps direct tens of billions of marketing investment dollars globally.

neustar

- Neustar, Inc. (NYSE:NSR) is the first real-time provider of cloud-based information services, enabling marketing and IT security professionals to promote and protect their businesses. With a commitment to privacy and neutrality, Neustar operates complex data registries and uses its expertise to deliver actionable, data-driven insights that help clients make high-value business decisions in real time, one customer interaction at a time.



# 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 Content-Driven, Expert-Based Approach



DISPLAY MOBILE VIDEO SOCIAL NATIVE SEARCH MARTECH COMMERCE GAMING STRATEGIC BUYERS

**LUMAscapes**  
(over 4 million views  
from 211 countries)



**Publications**  
(over 2 million views)



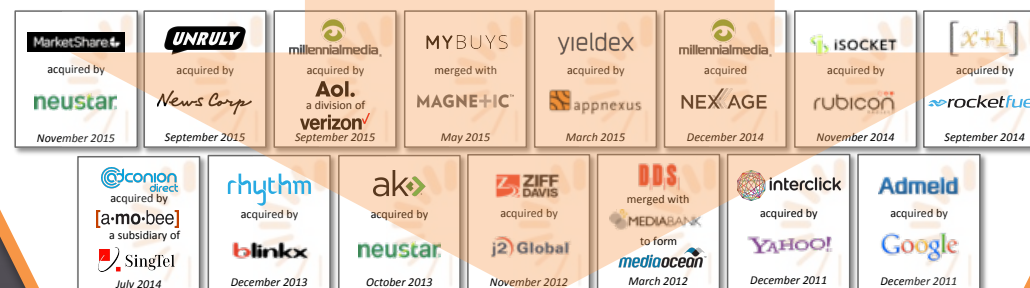
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