

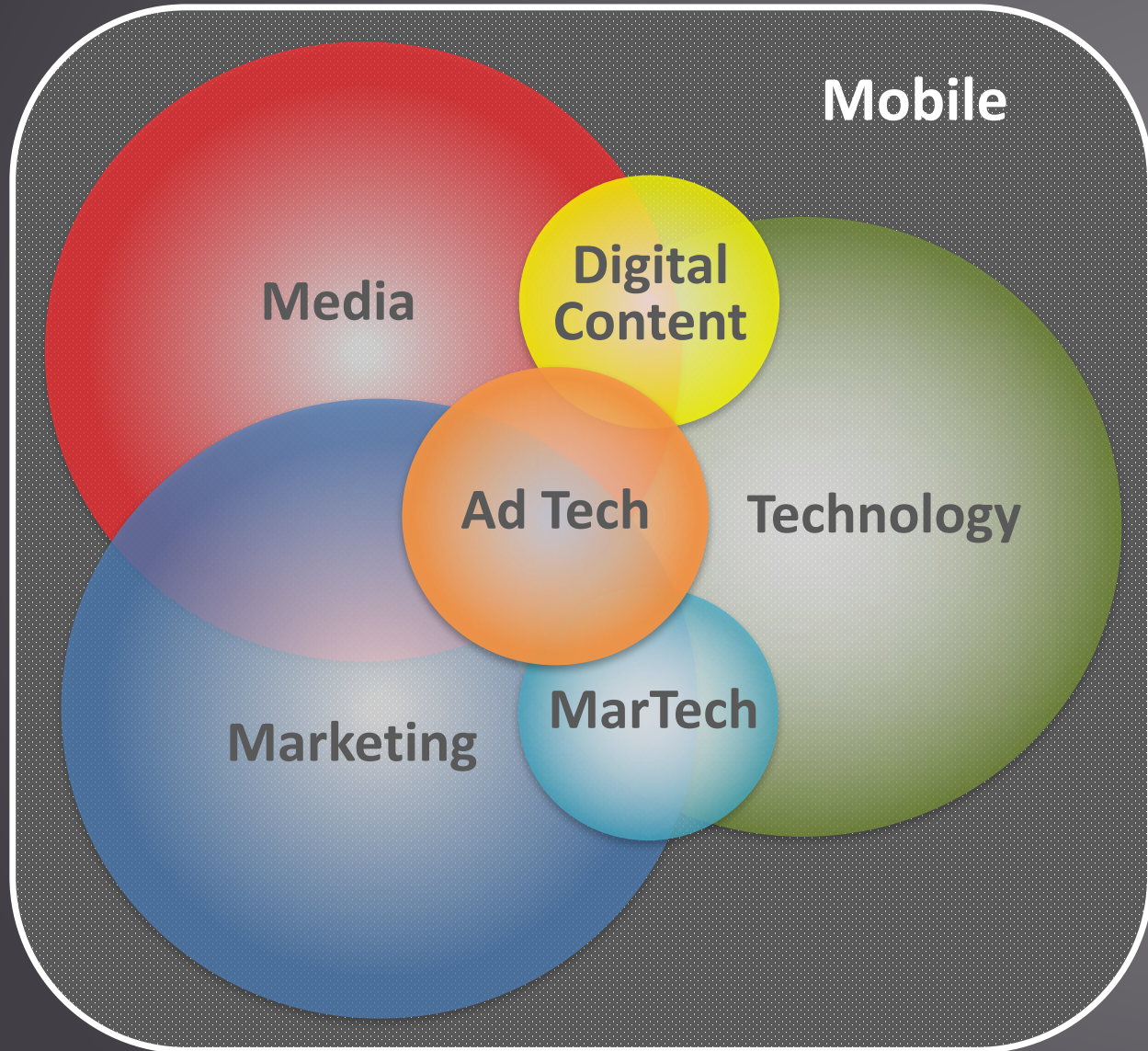


Digital Brief 007

Q1 2016 Market Report

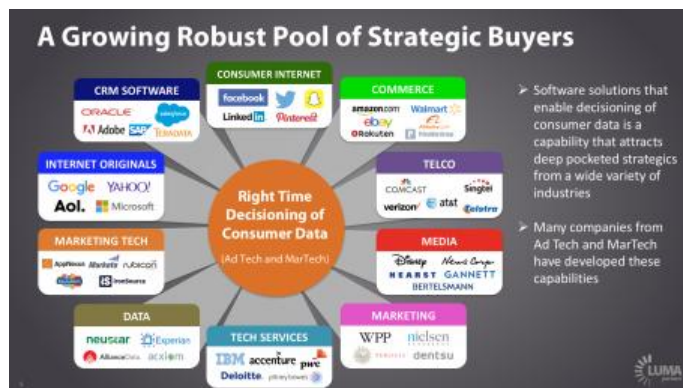
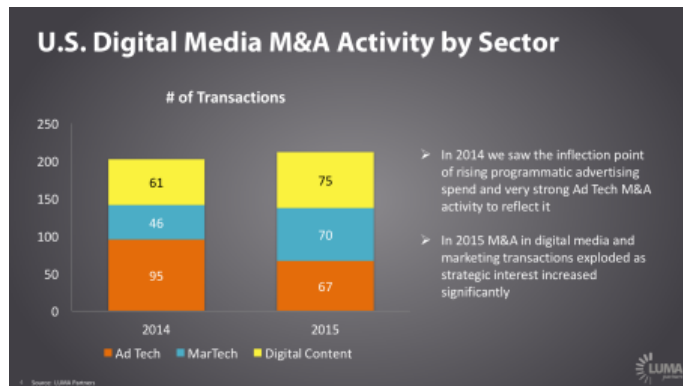
January							February							March						
Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun
28	29	30	31	1	2	3	1	2	3	4	5	6	7	29	1	2	3	4	5	6
4	5	6	7	8	9	10	8	9	10	11	12	13	14	7	8	9	10	11	12	13
11	12	13	14	15	16	17	15	16	17	18	19	20	21	14	15	16	17	18	19	20
18	19	20	21	22	23	24	22	23	24	25	26	27	28	21	22	23	24	25	26	27
25	26	27	28	29	30	31	29	1	2	3	4	5	6	28	29	30	31	1	2	3
1	2	3	4	5	6	7	7	8	9	10	11	12	13	4	5	6	7	8	9	10

LUMA's Singular Focus on Digital Media



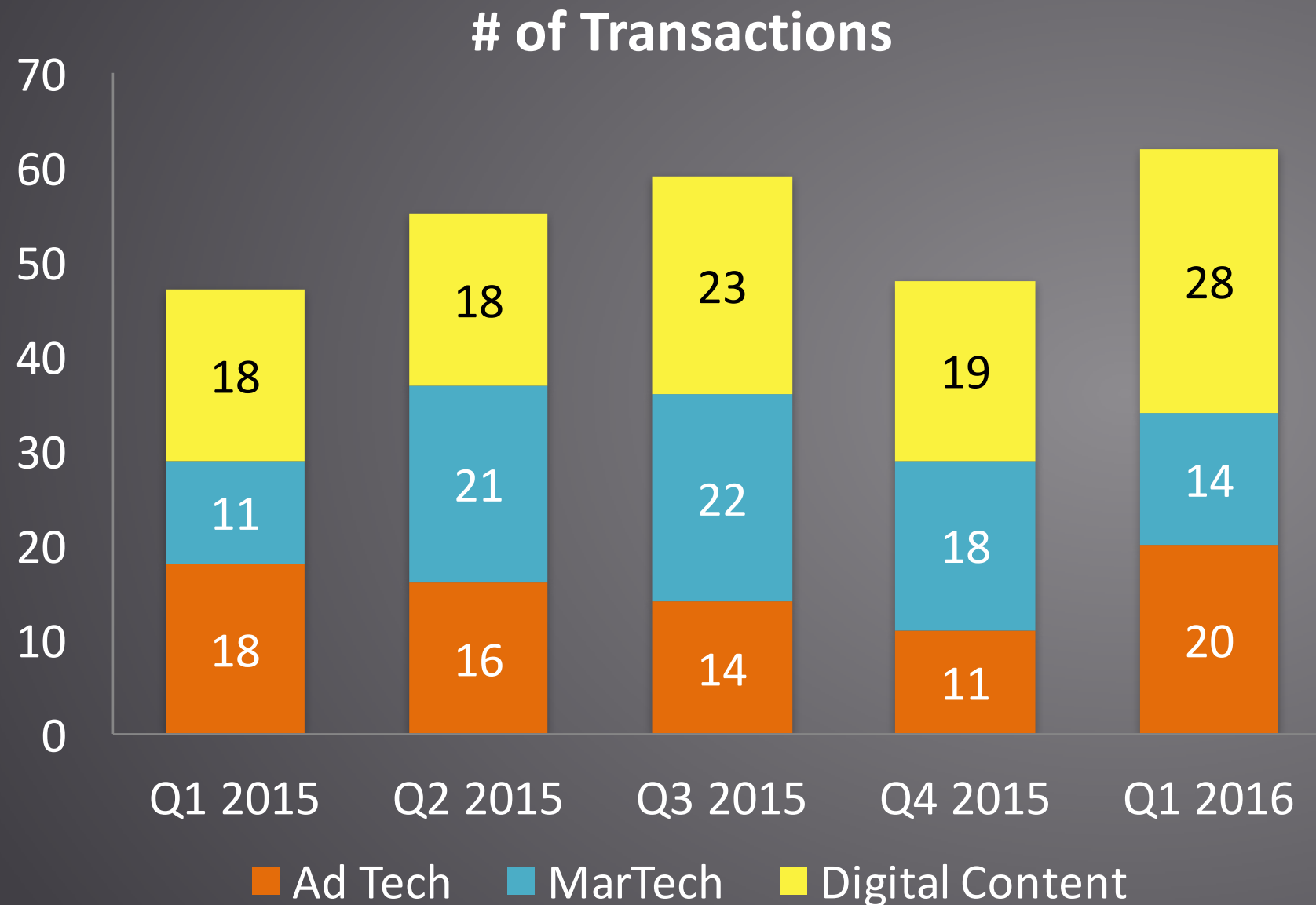
- LUMA's expertise is at the intersection of Media, Marketing and Technology
- At this intersection exists:
 - **Digital Content:** content sites, MCNs, game publishers, aggregators
 - **Ad Tech:** display, search, video, mobile, social, content marketing/native, connected TV
 - **MarTech:** data, analytics, 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



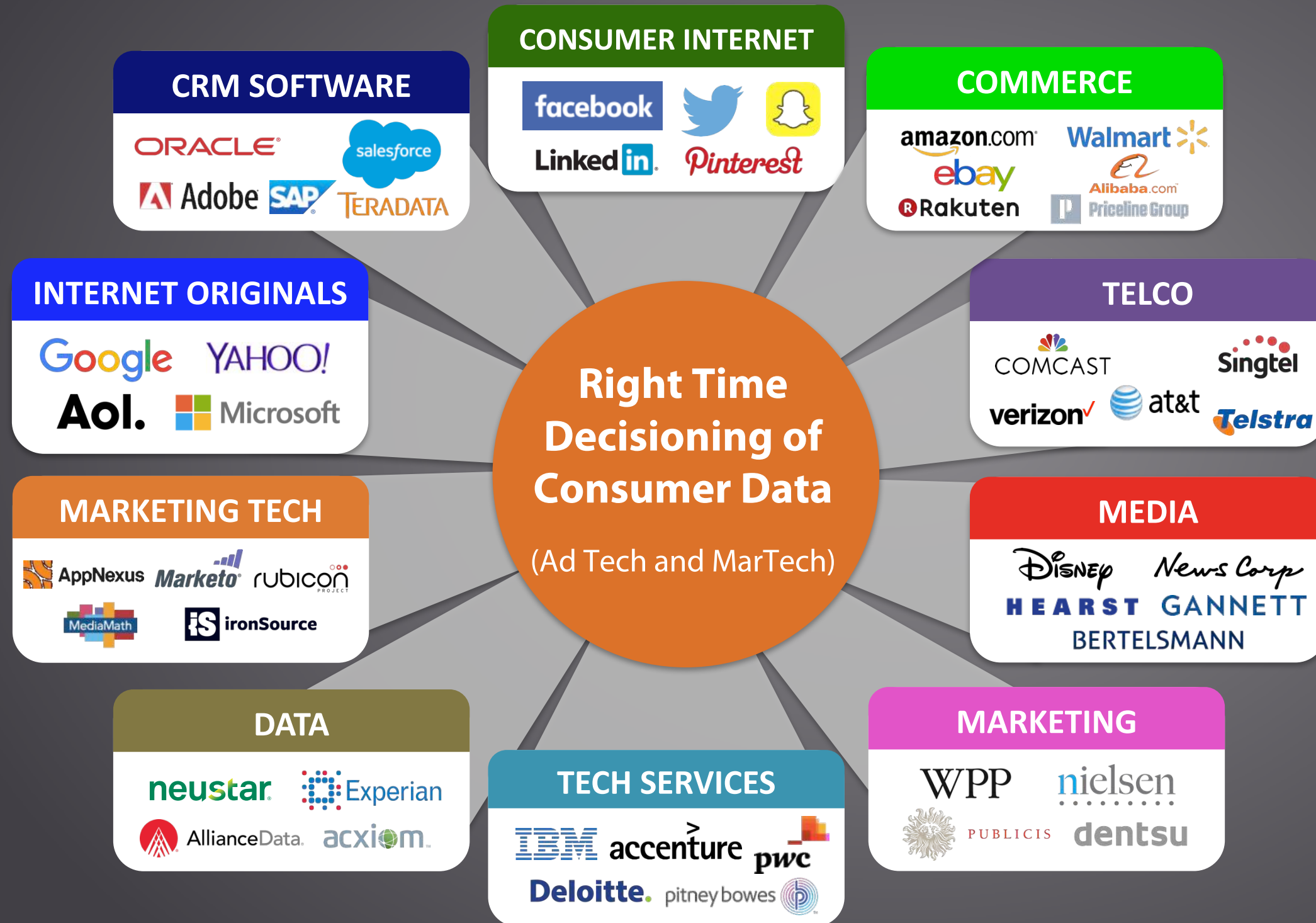
- In our last end-of-year **Market Report**, we reported 209 acquisitions during 2015 in digital media and marketing
- The deals we track in this report fall into one of four categories:
 - Large (over \$500 mm)
 - Medium (\$100 – \$500 mm)
 - Small (\$20 – \$100 mm)
 - Sub \$20 mm exits are considered tech and team deals, capitulations, or undisclosed

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



- Digital media and marketing M&A activity is off to another fast start this quarter, outpacing levels from Q1 2015.
- Despite the market volatility early in the quarter and overall lower M&A activity globally, strategic and financial buyers continue to be very active in the digital space.

A Growing Robust Pool of Strategic Buyers

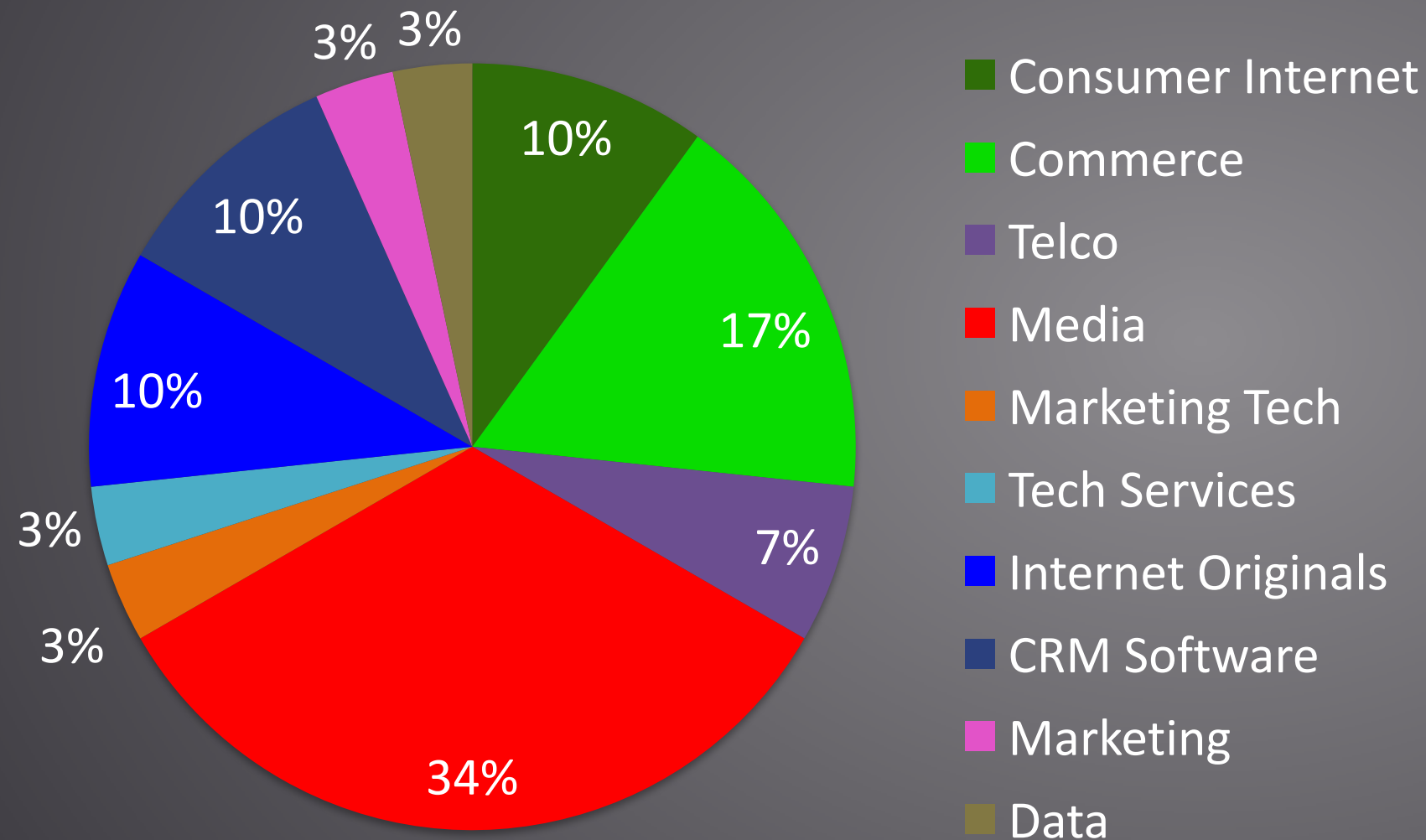


- Software solutions that enable decisioning of consumer data is a capability that attracts deep pocketed strategics from a wide variety of industries
- Many companies from Ad Tech and MarTech have developed these capabilities

Digital Media M&A Activity by Strategic Buyers

Q1 2016

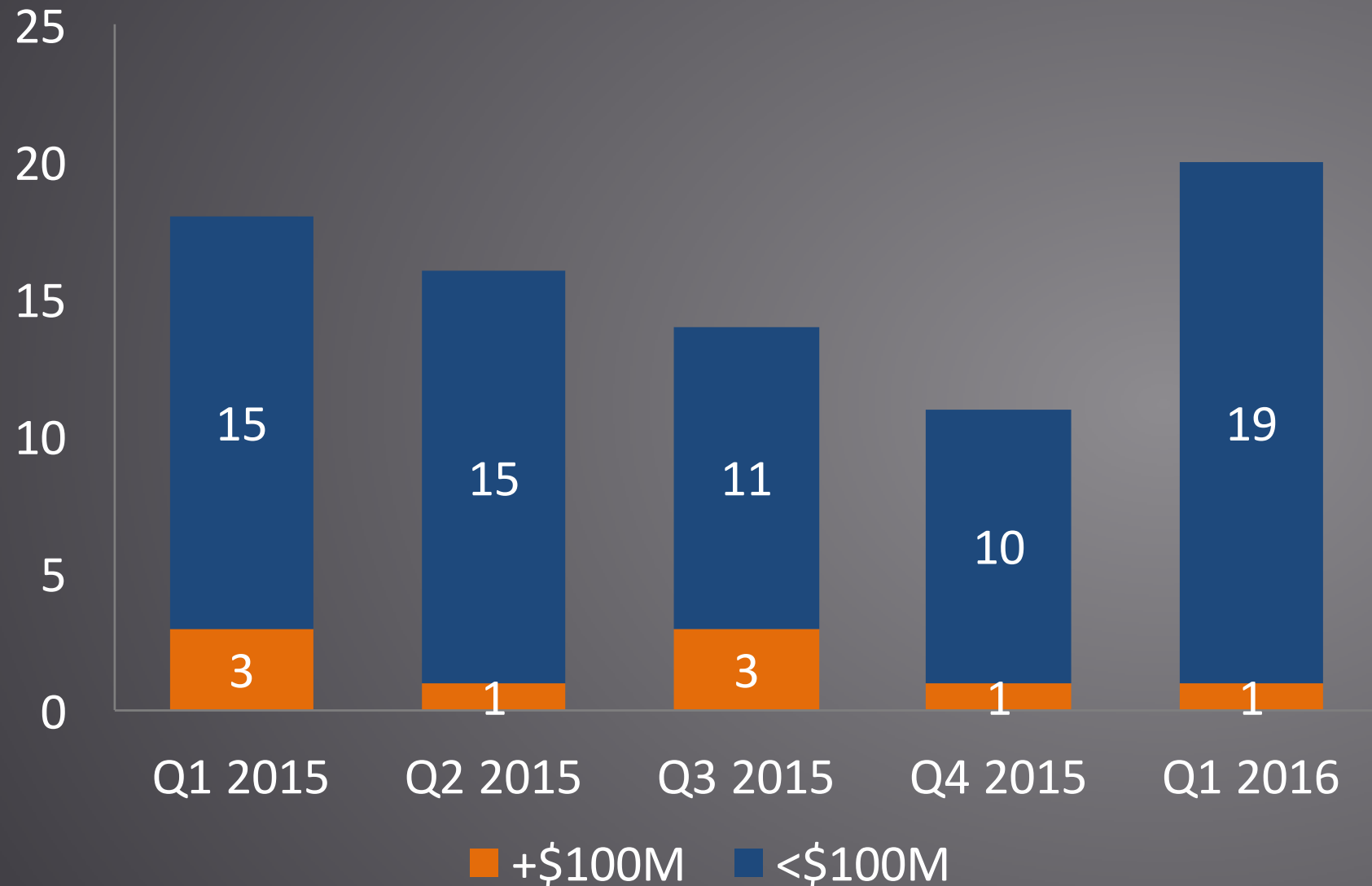
Strategic Buyers Transactions



- In the first quarter of the year, we saw strong activity from strategic buyers in Media and Commerce
- Strategic buyers from Media and Telco including RTL Group, Time Inc., AOL (Verizon) and Telenor Group continue to acquire companies focusing in Ad Tech as they build out more advanced monetization and targeting capabilities

Ad Tech M&A Activity

of Transactions









➤ Observations

- Ad Tech M&A activity began the new year above the pace with Q1 2015 with 20 transactions
- Nearly half of the deals focused on mobile monetization and cross-device targeting

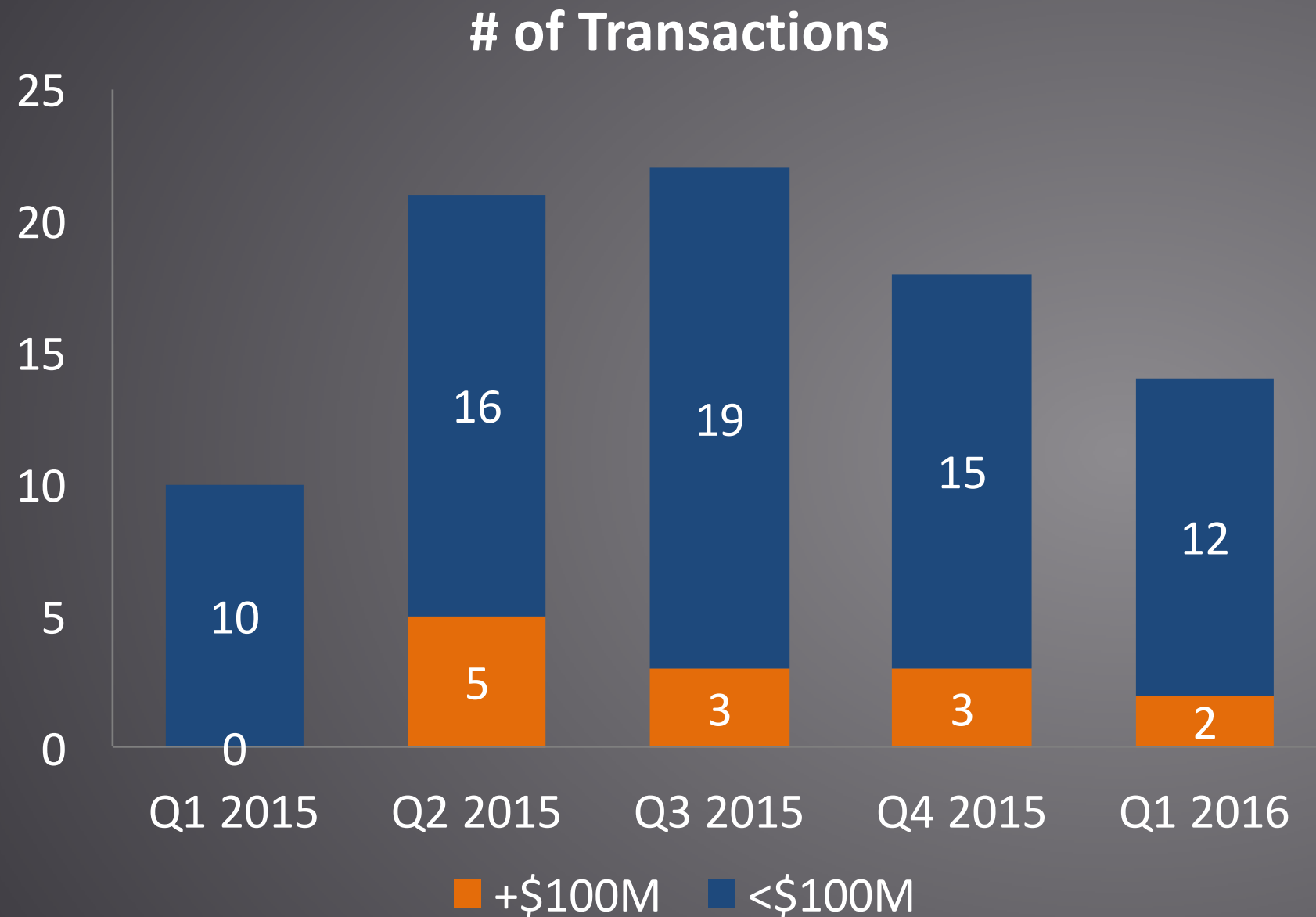
➤ Moving Forward – Native Advertising

- The evolution of programmatic technology is enabling new forms of native advertising from app-install ads to long-form content ads that blend in with different environments at scale

Ad Tech – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		N/A	\$56M	With the acquisition of Smartclip, RTL Group enhances its video advertising offerings by adding Smartclip’s digital video and connected TV tools
		\$34M	\$360M	Norwegian telecom operator Telenor acquired cross-device advertising company Tapad to bolster its digital marketing capabilities
		N/A	N/A	By acquiring Viant, Time Inc. combines Viant’s Advertising Cloud with its premium content to create a “people-based” marketing platform

MarTech M&A Activity











➤ Observations

- SMB marketing and content marketing were key target areas to begin the year
- Financial buyer activity was strong this quarter with HGGC, Marlin Equity Partners, and Vista Equity Partners making moves

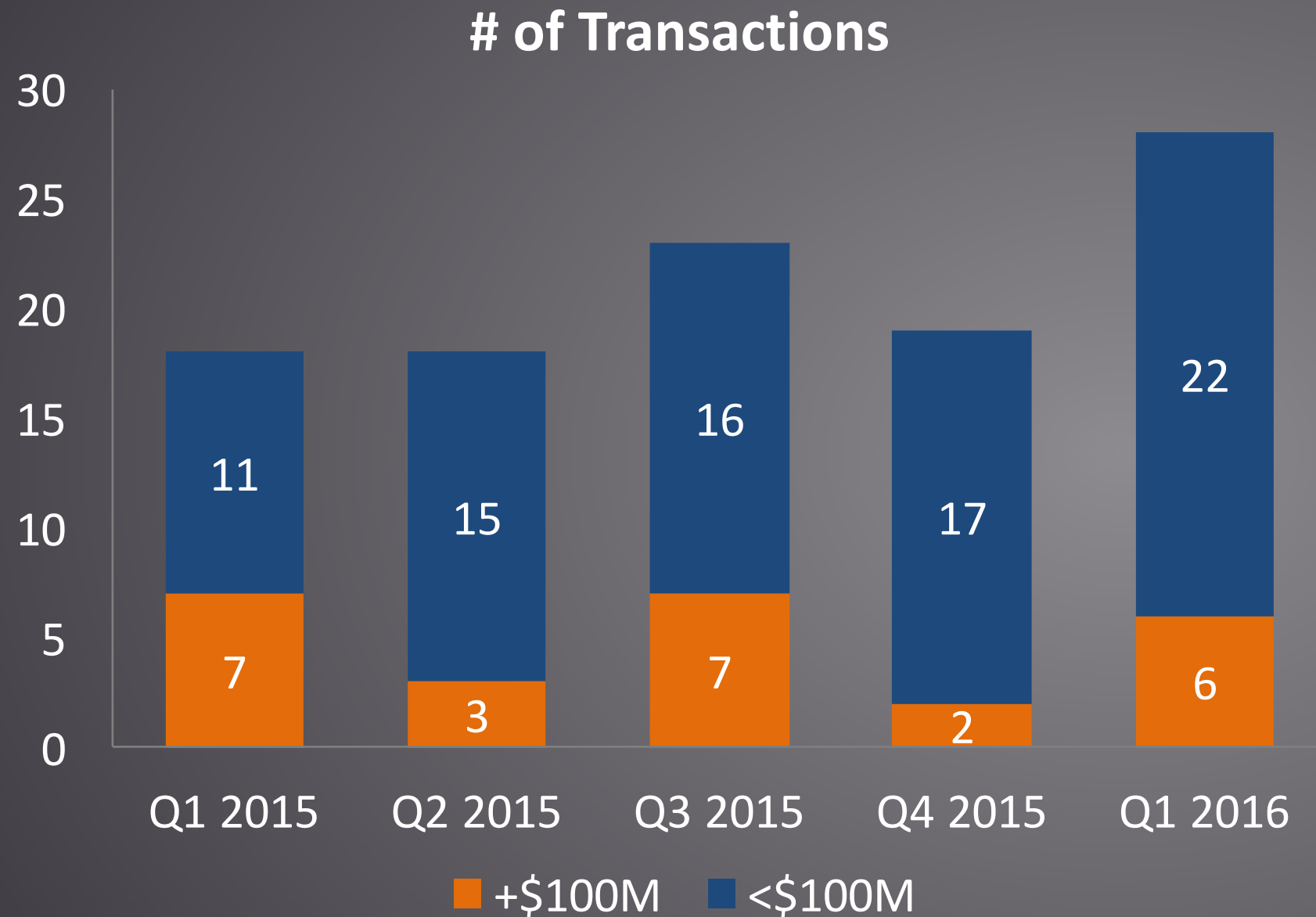
➤ Moving Forward – ABM Marketing

- We believe strongly that account-based marketing will take off this year as more B2B marketers recognize the value of delivering the right message at the right time to the right account

MarTech – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
 AddThis®		\$73M	\$200M	With AddThis, Oracle brings the company's data and insights from 15 million websites to Oracle's Data Cloud and ID Graph
		Formerly part of Intuit	N/A	After selling to Intuit for \$424 million in 2012, marketing automation firm Demandforce was acquired by Internet Brands to grow its health-related market
		\$39M	\$135M	NICE Systems acquired customer analytics company Nexidia to expand its analytics offering to include advanced business intelligence, compliance solutions and more
		\$40M	\$342M	Web.com, a provider digital marketing solutions acquired Yodle, a provider of local business marketing tools which generated \$200 million in revenue last year

Digital Content M&A Activity









➤ Observations

- Warner Bros' acquisition of DramaFever and FilmOn's acquisition of CinemaNow highlight the M&A activity in the SVOD / OTT space this quarter

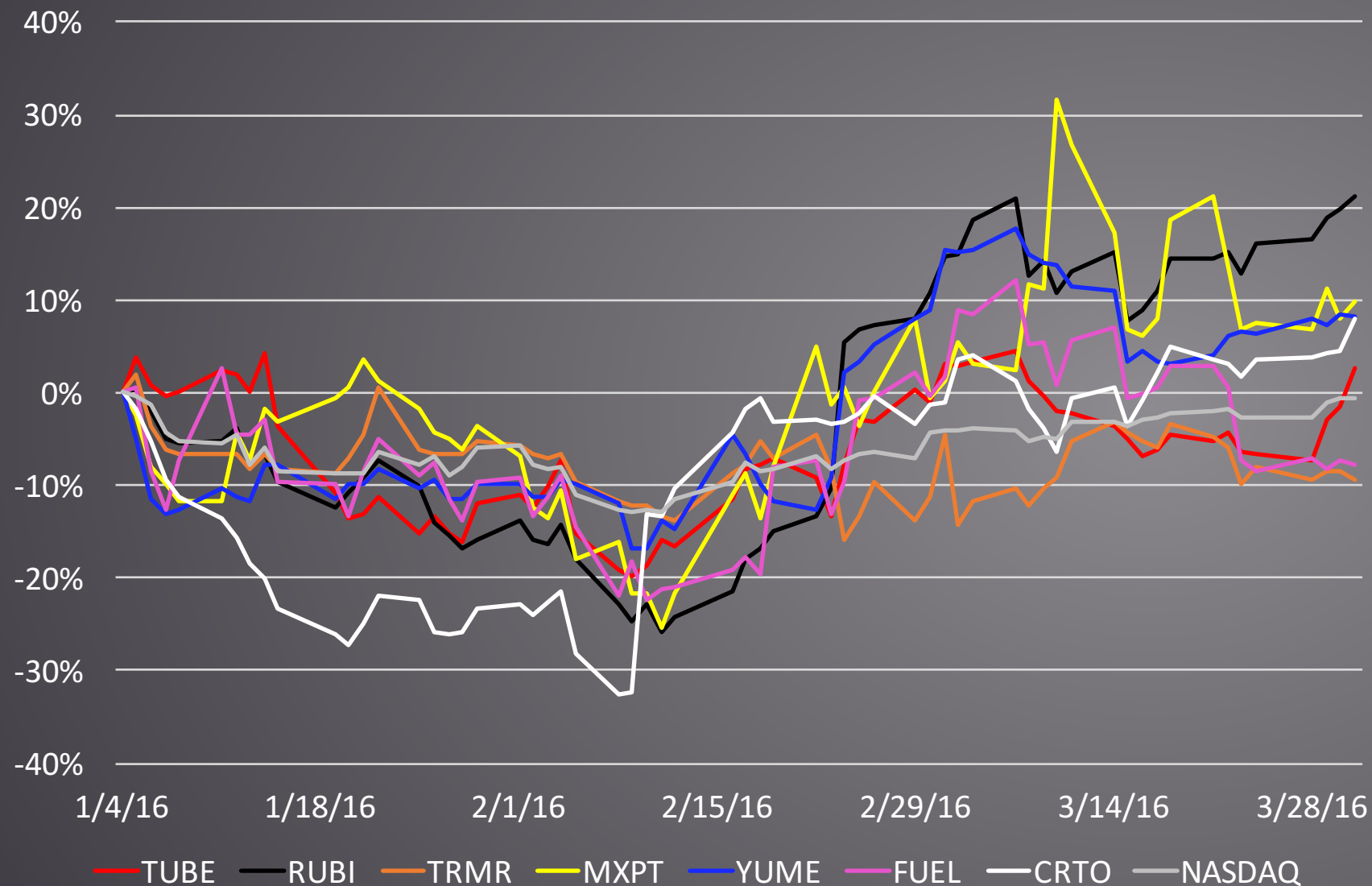
➤ Moving Forward – Messaging Platforms

- Popular messaging apps like Facebook Messenger and Kik are building platforms that enable users to do new things outside of messaging like requesting car service to talking to businesses
- Messaging platforms are becoming new distribution channels for content, apps, and services

Digital Content – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
	 snapchat	\$11M	\$100M	Snapchat acquired Bistrips, the maker of the emoji-creator Bitmoji app, as it continues to invest in creating more interactive experiences for its users
	 KUNLUN	N/A	\$155M	Chinese gaming company Beijing Kunlun Tech Co. acquired a majority stake in Grindr, the popular gay dating app with over 10 million users worldwide
 the ONION®	 univision COMMUNICATIONS INC.	N/A	N/A	Media giant, Univision, acquired a controlling stake of The Onion, the satirical digital media company, to reach and engage more of millennial audiences

Ad Tech – Q1 2016 Stocks Performance



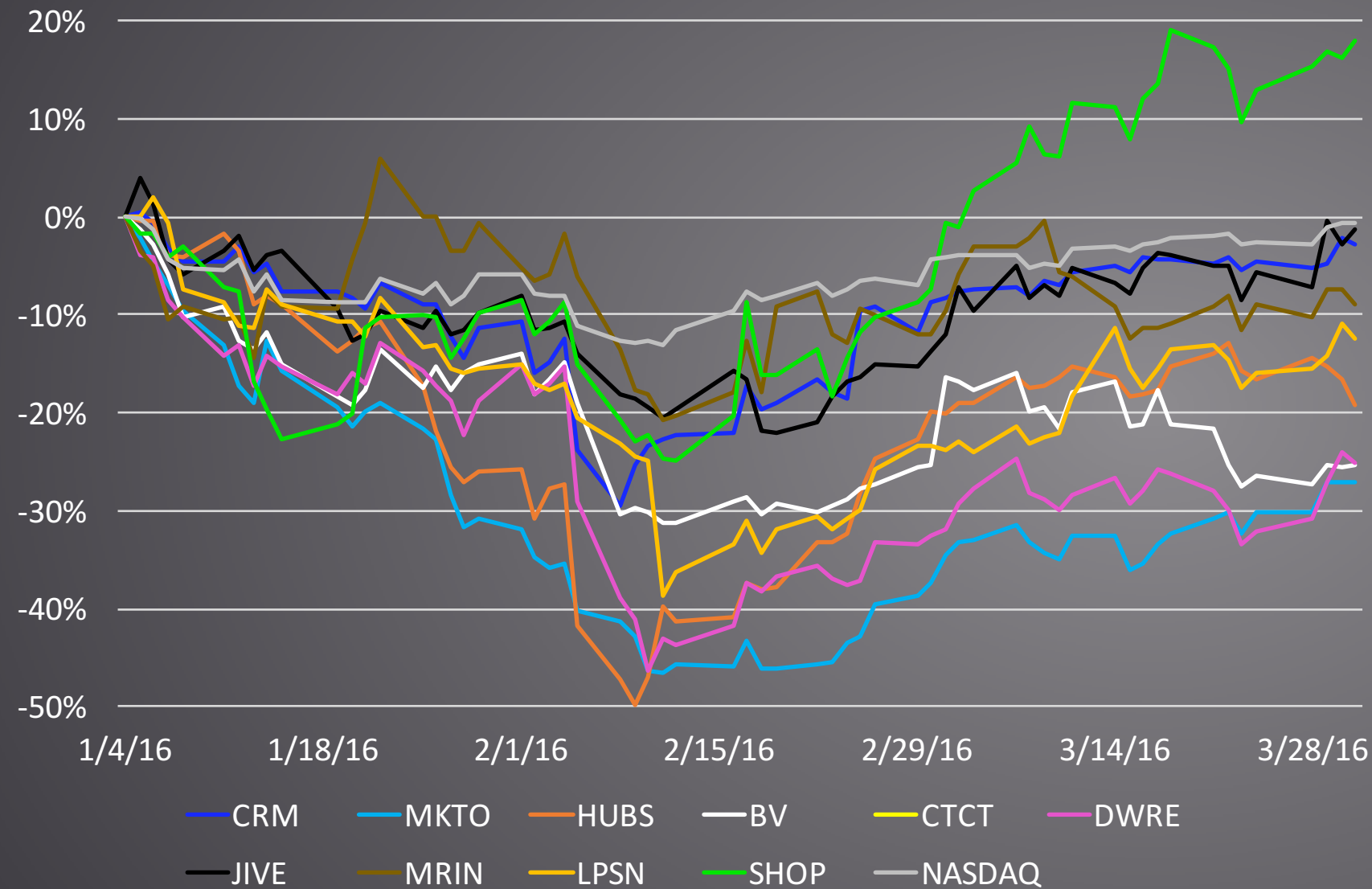
➤ Ad Tech Weathers the Storm

- Ad Tech stocks weathered the market storm, growing by 9% in value by the end of Q1
- Ad Tech stocks accomplished a rare feat, outperforming both MarTech stocks and the NASDAQ

➤ Highlights

- RUBI soared 15% after beating earnings expectations from Q4 2015 and hitting over \$1B in managed revenue for the year
- After falling 82% last year, MXPT ended Q1 up 9% thanks to Q4 earnings and FY16 guidance that surpassed analyst estimates

MarTech – Q1 2016 Stocks Performance















➤ MarTech Off to a Rocky Start

- MarTech stocks on average lost nearly 15% of value this quarter
- By mid-February, MarTech stocks fell to its lowest point in the quarter, down over 33%

➤ Highlights

- SaaS leaders were hit hard as MKTO and DWRE collectively shed 25% of their market cap by the end of Q1
- SHOP was the only MarTech stock we track that outperformed the NASDAQ, growing nearly 20% in the quarter

Q1 Key Startup Financings to Watch

	Lead Investor	Capital Raised	Valuation	Comments
	N/A	\$56M	N/A	Bloomreach, an e-commerce personalization platform, works with more than 175 customers and collects data from 21% of all U.S. e-commerce
	N/A	\$100M	\$400M	Online retailer Boxed has raised a total of \$132 million of funding to compete head-to-head with wholesale clubs like Costco and Sam's Club
	KPCB	\$48M	N/A	Business intelligence company Looker has grown its customer base, which include eBay and Kohler, to 450 since last year
		\$794M	\$4.5B	Augmented reality (AR) startup Magic Leap's latest Series C round of funding will enable the secretive company to bring its first product to market soon
		\$50M	N/A	Moat, a marketing analytics and intelligence platform, is moving publishers and marketers toward using attention as the new digital marketing currency
		\$60M	N/A	The Trade Desk, an independent advertising trading desk, raised another round of funding for its share buyback and long-term growth strategies
	 HONY CAPITAL 	\$430M	\$16B	WeWork, the popular co-working space startup that has 50,000 members in 21 cities, raised funding to enter the Asian market as it continues to grow

LUMA's Recent Content



The Future of TV Presented at Upfront Summit

- At the Upfront Summit, we presented the Future of TV, where we explained the convergence of TV and digital video and where the industry is headed next



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



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 Recent Deals

February 2016

TAPAD

has been acquired by



*The undersigned acted as co-advisor
to Tapad, Inc.*



March 2016




has been acquired by



*The undersigned acted as co-advisor
to Smartclip's shareholders*









Overview

- On 2/1/2016, Telenor Group announced that it would acquire Tapad for \$360 million in cash
- Tapad co-founders Are Traasdahl and Dag Liodden have retained a 5% stake in the company
- Deal terms:
 - Enterprise value: \$360 million
 - EV/LTM Revenue: 6.3x
 - EV/2015 Revenue: 6.3x
 - EV/2016E Revenue: 4.0x




Strategic Rationale

- Through the acquisition of Tapad, Telenor will add advanced digital capabilities to its core telecom business and secure a foothold in the growing advertising and marketing technology industry.
- The mobile advertising market is growing rapidly as marketing spend continues to shift with the change in consumer behavior. The growing number of devices and time spent across them is making identity and cross-device capabilities a necessity in digital marketing, driving the development of better tools that address device fragmentation.
- Tapad has become the leader in this space with its Device Graph technology that connects user behavior across screens and enables measurement and monetization from these audiences.
- With Telenor’s 200 million mobile subscriber base across 13 markets, the combination of Telenor and Tapad’s innovative technology opens up large opportunities across established and emerging markets around the world.



- Tapad, a New York-based startup, was established in 2010 by Norwegian entrepreneur Are Traasdahl, the company’s Chief Executive Officer. The company delivers unified cross-device marketing technology solutions that give publishers, marketers and technology providers a holistic view of consumers across devices and screens, including smartphones, tablets, home computers and smart TVs.




- Telenor Group ASA (OB: TEL) engages in the provision of telecommunications, data, and media services. It operates through the following segments: Mobile Communication, Fixed Line Communication, Television-Based Activities (Broadcast), and Other Operations. The company was founded in 1855 and is headquartered in Fornebu, Norway.

Cross-Screen Marketing

Device Matching

Probabilistic Matching



Algorithmic match

Smartclip to be Acquired by RTL Group

LUMA Partners acted as Co-Advisor to Smartclip's Shareholders
Announced March 21, 2016



Strategic Rationale

- With the acquisition of Smartclip, RTL Group broadens its digital advertising capabilities by adding Smartclip's digital video and connected TV solutions.
- The convergence of TV and digital video is quickly becoming a reality. The growing number of screens used for video viewing has sparked the need for complete solution providers.
- Smartclip offers digital video advertising inventory from over 700 publishers and ad serving capabilities to Internet-connected devices.
- Smartclip will strengthen RTL Group's video monetization strategy by complementing SpotX, a programmatic digital video company.
- The combination of Smartclip and RTL Group gives the media company the tools to gain market share in the fast growing video advertising market.

Convergent TV & Video



Overview

- On 3/21/2016, RTL Group announced that it would acquire Smartclip for about \$52.6 million in cash
- RTL Group will acquire a 93.75% stake in Smartclip
- Deal terms:
 - Enterprise value: ~\$56 million



- Smartclip deploys proprietary, custom-developed technology to distribute video advertising across all platforms and devices, controlled by ad servers. Whether online users consume video on the web, on mobile devices like smartphones and tablets, or on connected TV players advertisers and their media agencies can reach the exact target audiences they seek for their brand message.



- RTL Group is the leading European entertainment network, with interests in 57 television channels and 31 radio stations and content production throughout the world. RTL Group's families of TV channels are either the number one or number two in eight European countries. With currently 5.3 billion monthly video views, RTL Group is the leading European media company in online video.

LUMA's Differentiated Value Proposition



1. Unparalleled Industry Knowledge
2. Strategic Approach
3. Execution Excellence

LUMA's Content-Driven, Expert-Based Approach



DISPLAY MOBILE VIDEO SOCIAL NATIVE SEARCH MARTECH COMMERCE GAMING STRATEGIC BUYERS

LUMAscapes
(over 5 million views
from 211 countries)



Publications
(over 2 million views)



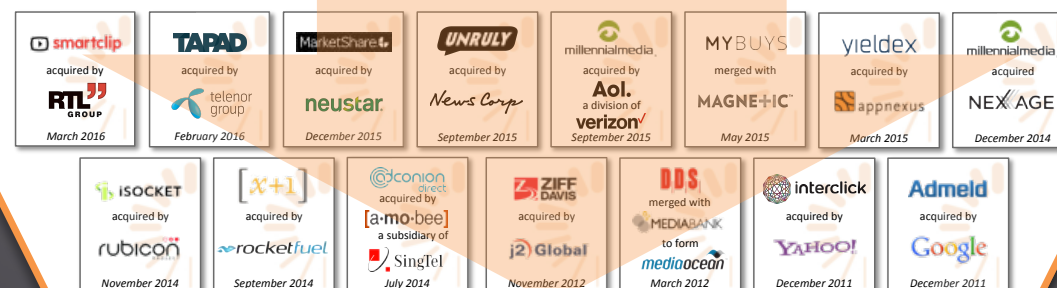
Digital Briefs



Conference Keynotes



Corporate Teach-ins



Completed Deals





ACCESS. INSIGHTS. EXECUTION.

New York | San Francisco | Palo Alto