

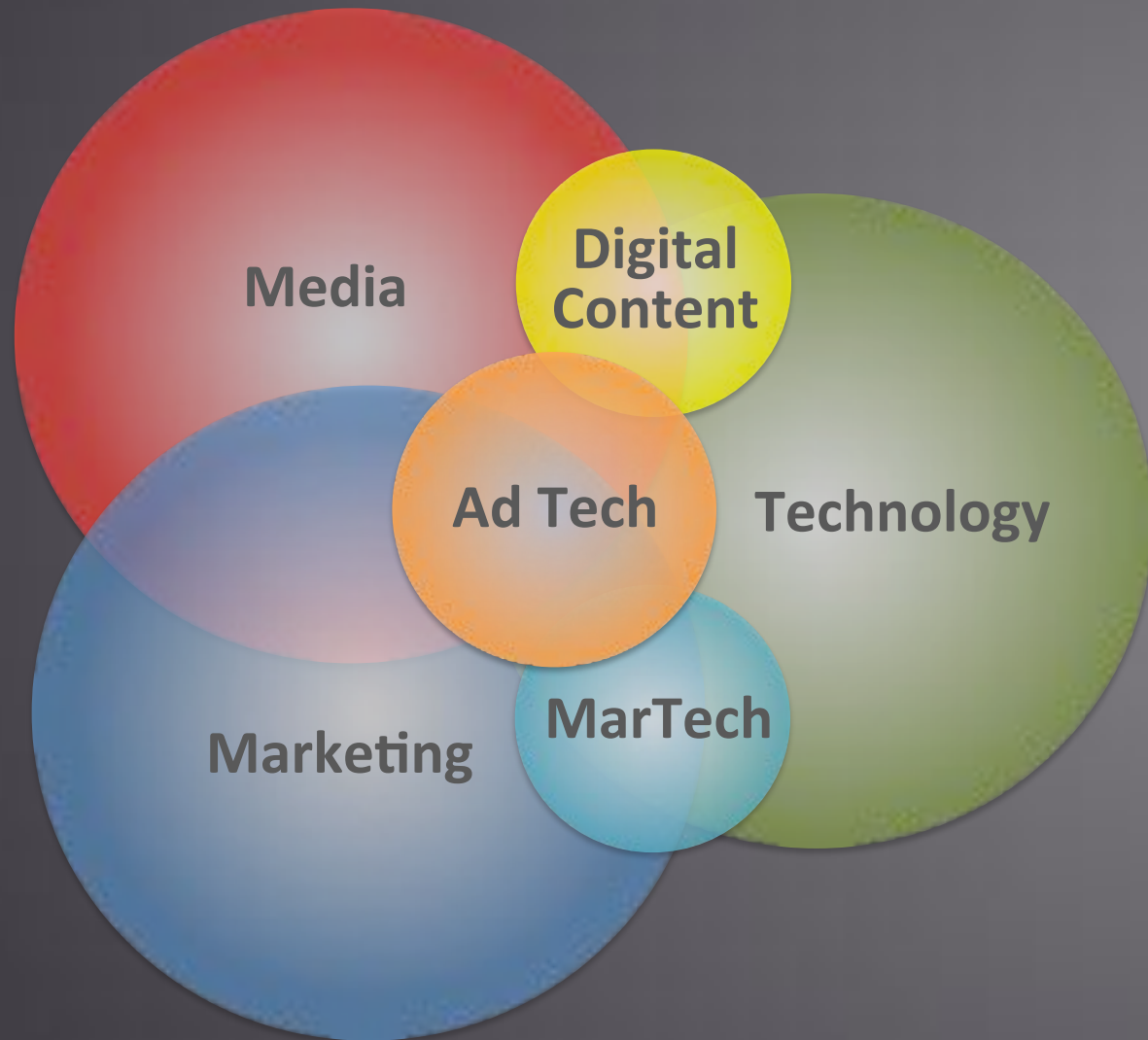


# Digital Brief 018

# Q4 2017 Market Report

October	November	December
S M T W T F S	S M T W T F S	S M T W T F S
1 2 3 4 5 6 7	1 2 3 4	1 2
8 9 10 11 12 13 14	5 6 7 8 9 10 11	3 4 5 6 7 8 9
15 16 17 18 19 20 21	12 13 14 15 16 17 18	10 11 12 13 14 15 16
22 23 24 25 26 27 28	19 20 21 22 23 24 25	17 18 19 20 21 22 23
29 30 31	26 27 28 29 30	24 25 26 27 28 29 30

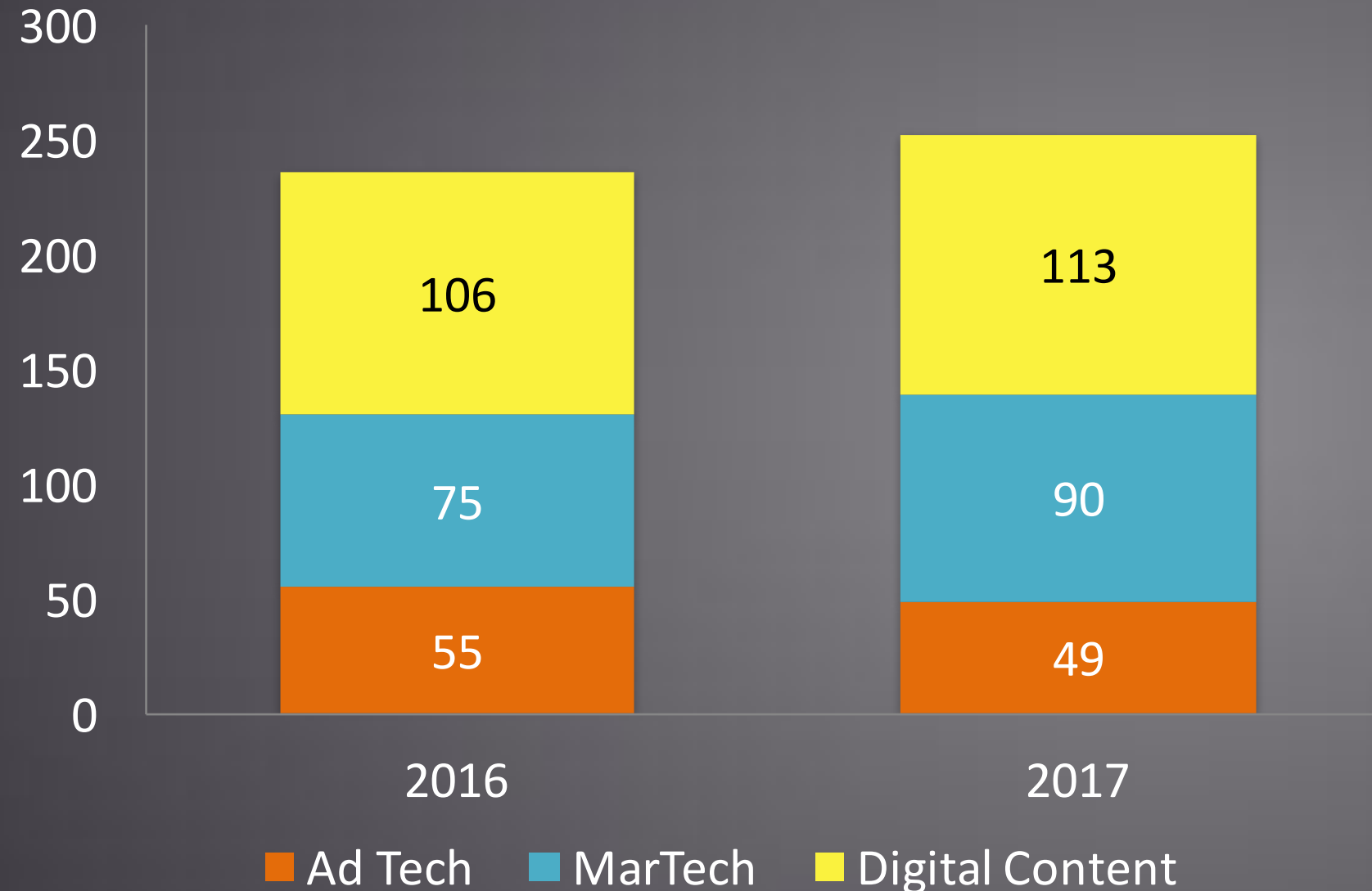
# LUMA's Singular Focus on Digital Media



- 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

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

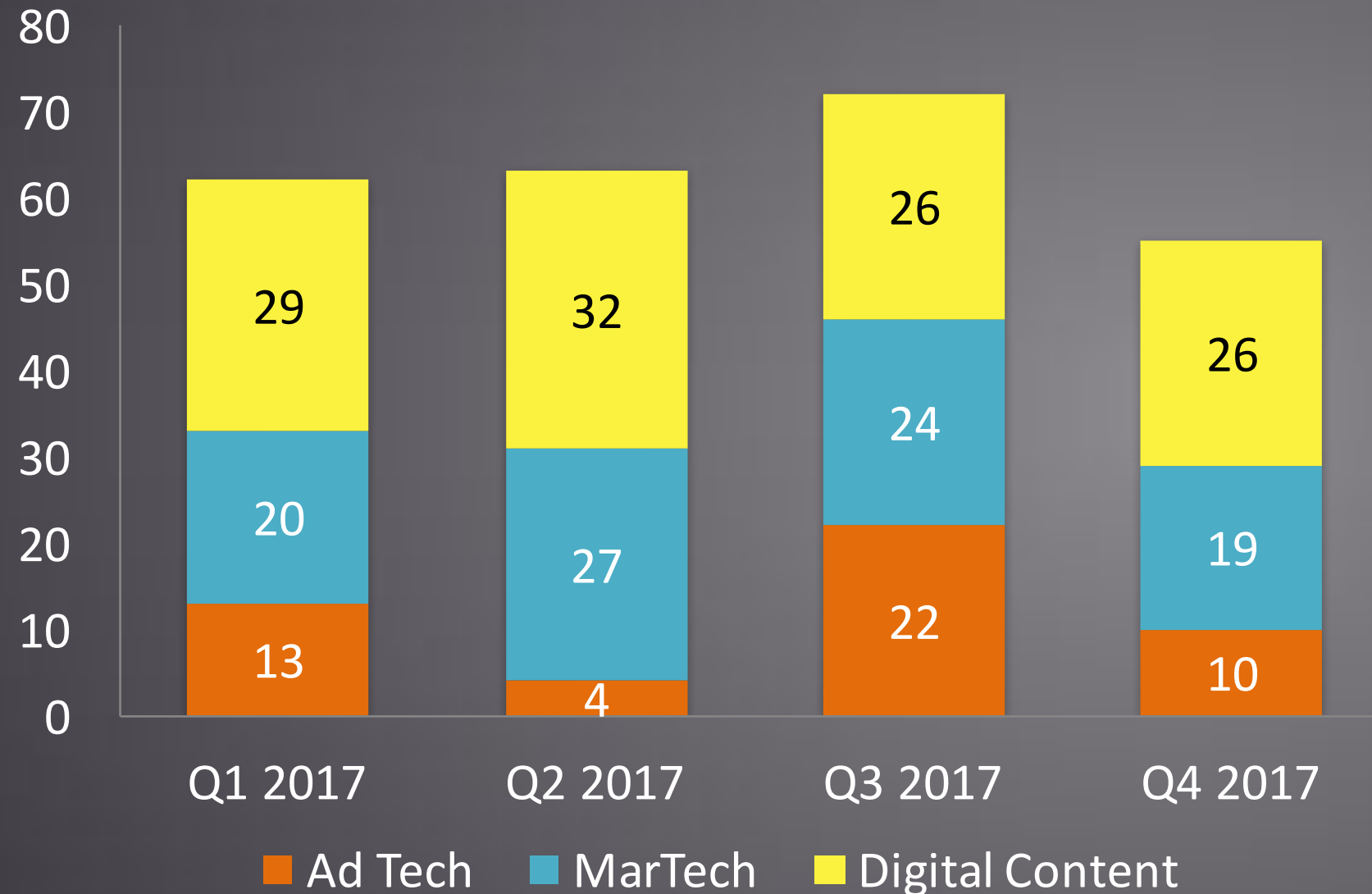
# of Transactions



- M&A activity continues to remain robust with more potential buyers including telcos and private equity despite China going away as acquirers due to regulatory and capital control issues and lack of scaled M&A activity from digital giants like Facebook and Google
- Although Ad Tech and MarTech M&A activity combined rose in 2017, there were zero billion dollar acquisitions after six deals of that size in 2016

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

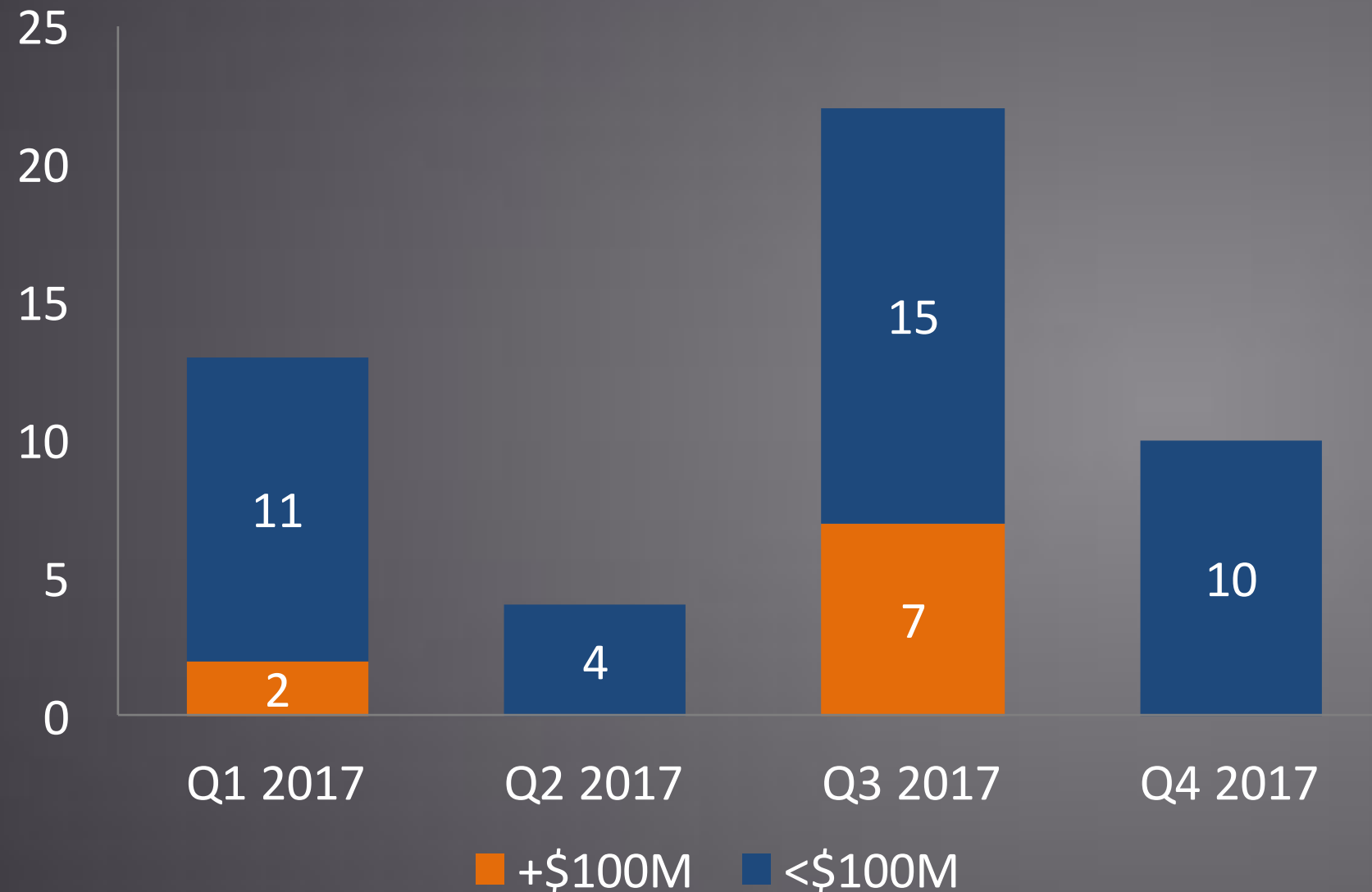
# of Transactions



- The digital duopoly of Facebook and Google, which is capturing nearly all of digital ad spend growth, and the emergence of Amazon in the space was the main story in 2017
- The mega content deals of 21<sup>st</sup> Century Fox, Scripps Networks and pending acquisition of Time Warner will have significant implications for the rest of the digital ecosystem
- 2017 saw the Great Ad Tech Cleanup, with all the remaining public I/O based businesses having been acquired

# Ad Tech M&A Activity

## # of Transactions

















### ➤ Full Year Observations

- In 2017 we saw Private Equity increase activity in Ad Tech, led by GTCR, Providence Equity and Vector Capital
- Telcos continue to be active with Altice and Singtel acquiring Ad Tech assets

### ➤ Looking Ahead – Apple ITP & GDPR

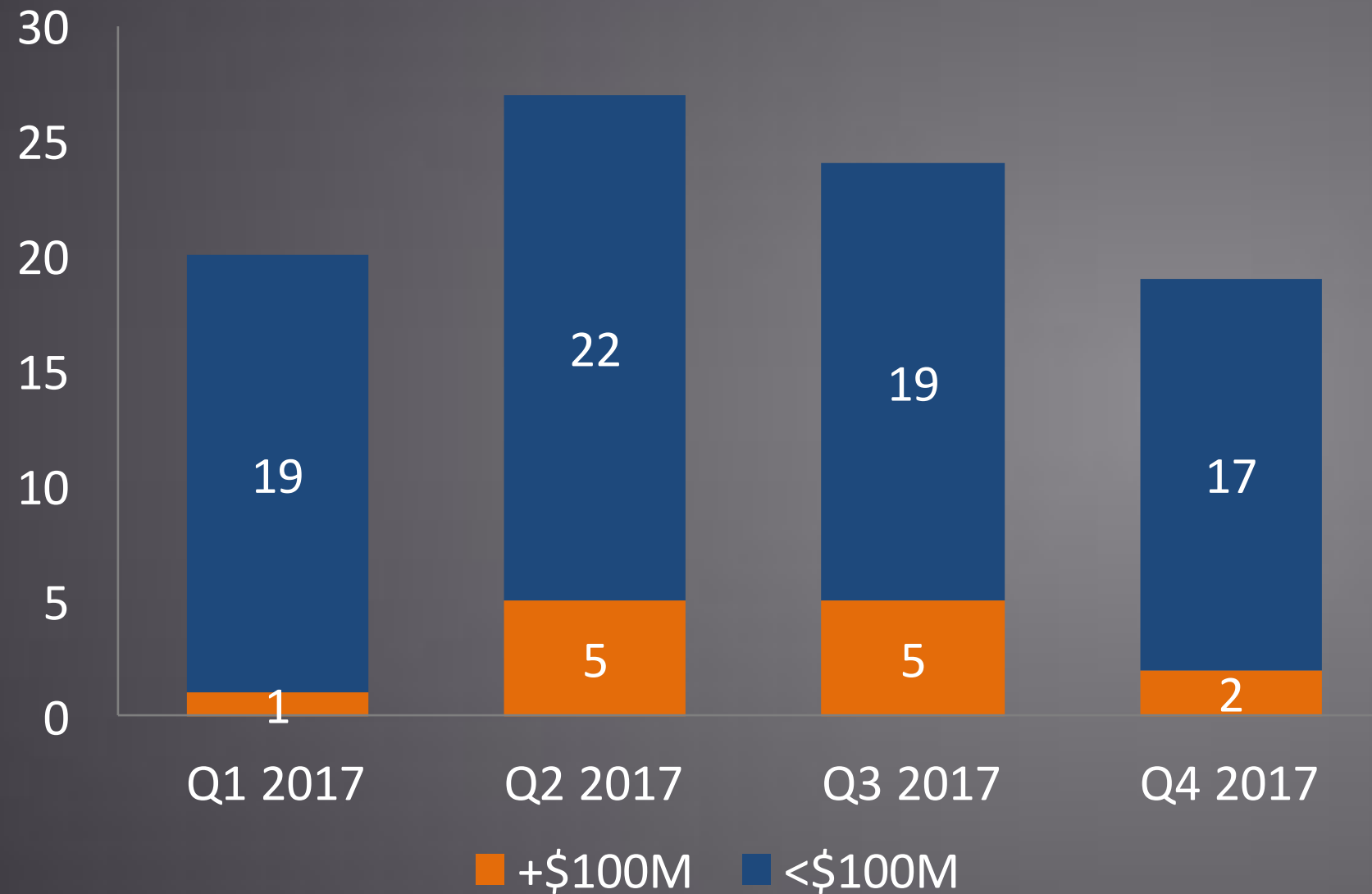
- As Apple's ITP and GDPR come into full effect next year, we will see many companies struggle to adapt
- Businesses that are less vulnerable to exogenous forces such as these and have a focus on first-party data and identity will thrive

# Ad Tech – 2017 Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		\$47M	\$300M	Providence Equity acquired a majority stake in DoubleVerify, a digital ad verification company, to help DoubleVerify expand its reach and product offerings
		N/A	\$415M	Cogint spun off Fluent, a performance marketing company, with assets of BlueFocus International; BlueFocus Communications will own 67% of the new combined entity
		NASDAQ	\$147M	Vector Capital-backed Sizmek has acquired Rocket Fuel to grow its platform business as it tries to return to growth
		\$10M	N/A	GTCR acquired a majority stake in Simplifi, a programmatic platform provider that enables hyper-targeted localized advertising campaigns
		\$12M	\$404M	RTL Group acquired the remaining shares of SpotX to gain full ownership of the video advertising platform
		\$55M	\$308M	Cable provider Altice acquired Teads, a leading ad network focused on outstream video ad formats
		\$164M	\$310M	Singapore telco Singtel acquired Turn, an omni-channel demand side platform and analytics firm

# MarTech M&A Activity

## # of Transactions

















### ➤ Full Year Observations

- Strong Private Equity activity continued with acquisitions including Bazaarvoice, Experian's cross-channel marketing business and Jive Software
- Marketing Clouds led by Oracle and SAP made scaled acquisitions in Moat and Gigya respectively

### ➤ Looking Ahead – Marketing Clouds & PE

- Marketing Clouds are continuing to further build out their stacks through M&A
- Private Equity buyers will remain active, seeking strong SaaS businesses

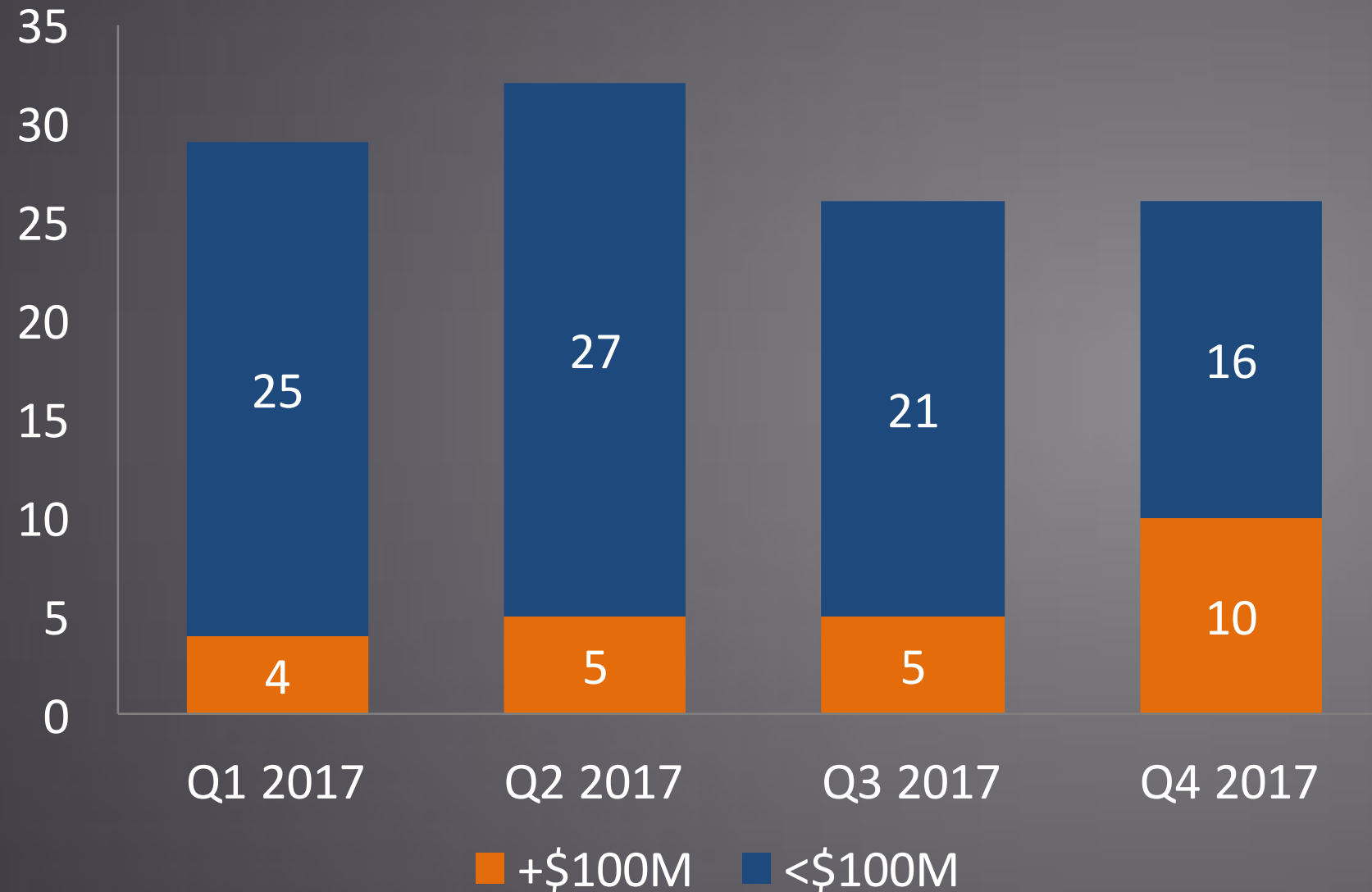
# MarTech – 2017 Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		NASDAQ	\$467M	Marlin Equity has acquired Bazaarvoice, a provider of user generated content marketing solutions
		LON	\$400M	Vector Capital acquired a majority stake in Experian's Cross Channel Marketing business and has rebranded the company as Cheetah Digital
		\$106M	\$350M	Software giant SAP acquired Gigya, a customer identity management company, to strengthen its e-commerce software solutions
		NASDAQ	\$341M	Private equity firm ESW Capital acquired Jive Software through its affiliate Wave Systems and will integrate Jive Software into Aurea's family of companies
		\$201.7M	N/A	Vista Equity Partners acquired Lithium Technologies, a social media management company, continuing its buying spree of digital marketing businesses
		\$67.5M	N/A	Software giant Oracle acquired Moat, a measurement and analytics platform, and has integrated the company into Oracle Data Cloud
		N/A	\$820M	Belgian Post Group, also known as bPost, acquired Radial, formerly eBay Enterprise, to enhance their capabilities in e-commerce fulfillment



# Digital Content M&A Activity

## # of Transactions

















### ➤ Full Year Observations

- The mega content deals of 21<sup>st</sup> Century Fox and Scripps Network were the headline story in 2017
- Gaming M&A continues to be robust with notable deals, such as Big Fish Games, Double Down Interactive and Outfit7

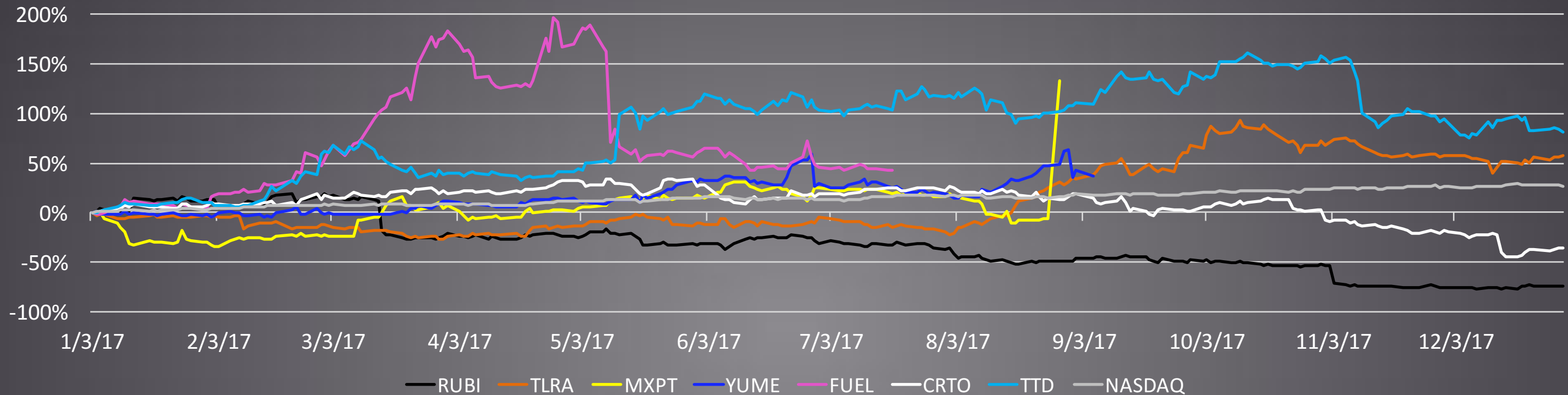
### ➤ Looking Ahead – Media

- Consolidation across traditional and new media is picking up
- Coinciding with the shift to video-first strategies, news of layoffs and struggles will make 2018 a major year for media companies

# Digital Content – 2017 Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		NASDAQ	\$66,100M	Disney has agreed to acquire 21st Century Fox's film and TV businesses to expand its global content and entertainment offerings
		NYSE	\$1,434M	Red Ventures acquired Bankrate, an online publisher of personal finance content, to expand its presence in financial services
		\$146M	\$1,000M	Musical.ly, the popular lip-syncing app with over 60 million users, has been acquired by Chinese news aggregator company Toutiao
		N/A	\$1,000M	Outfit7, the maker of the Talking Tom franchise, was acquired by Zhejiang Jinke Entertainment, a chemicals company that entered the entertainment market last year
		NASDAQ	\$14,920M	Discovery Comm. has agreed to merge with Scripps Networks to expand its presence in TV, digital, and OTT with home, food and travel properties
		NYSE	\$2,813M	Meredith Corp. has acquired publishing giant Time Inc. to expand their reach across TV, print and digital
		NASDAQ	\$3,670M	KKR-backed Internet Brands acquired WebMD, a leading health media company to its portfolio of online health properties

# Ad Tech – 2017 Stocks Performance



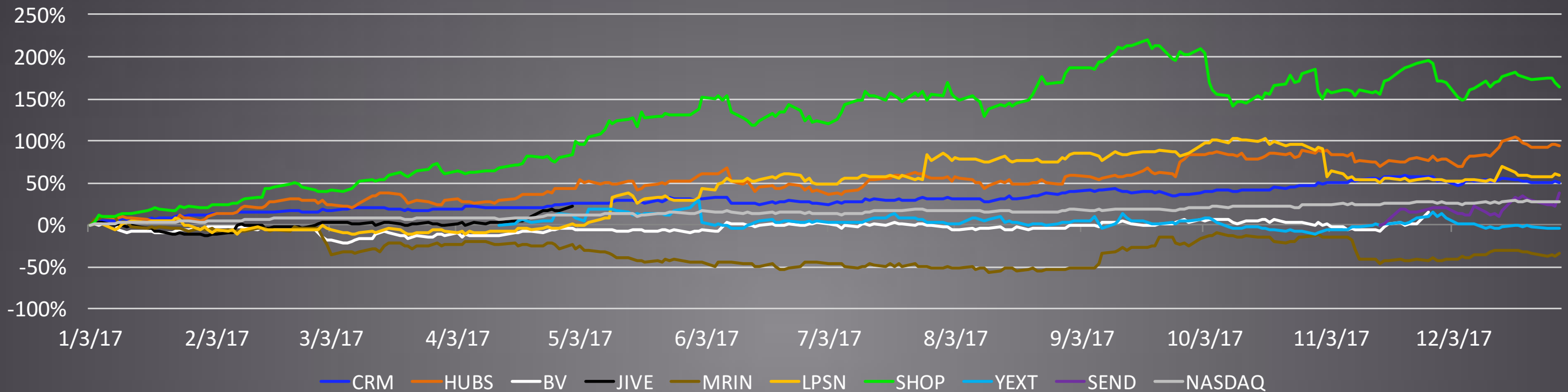
## ➤ The Great Ad Tech Cleanup

- In a year when Ad Tech fell 4%, all IO-based businesses (FUEL, MXPT, YUME, TRMR demand business) were acquired in Q3
- The remaining public cohort with platform business models, led by TTD, which trades at 6.5x LTM revenue, provides a more attractive comp universe

## ➤ Ad Tech's Struggles

- RUBI has fallen 74% after header bidding headwinds and declining revenues have lowered investor confidence
- CRTO shed over 36% of its market cap in 2017 due in large part to Apple's ITP, which is expected to have a 22% net negative impact to the company's 2018 Revenue Ex-TAC

# MarTech – 2017 Stocks Performance















## ➤ MarTech Surges Ahead

- MarTech grew over 60% in 2017, led by SHOP which climbed over 170% as the company achieves tremendous growth quarter after quarter
- BV and JIVE were both taken private by Marlin Equity Partners and ESW Capital respectively

## ➤ SendGrid IPO

- Email marketing platform SEND had a successful IPO, pricing above the range and currently trades 50% above its IPO price
- The continued success of SEND and its attractive SaaS business may help set the stage for new potential IPOs in the marketing space

# 2017 Key Startup Financings to Watch

	Lead Investor	Capital Raised	Valuation	Comments
	 SoftBank	\$1,000M	\$4,500M	Fanatics hopes to leverage SoftBank to expand their sports e-commerce business internationally, which currently makes up only 10% of total sales
		\$400M	\$4,000M	Home design company Houzz, now with 40 million monthly users and 1.5 million listed professionals, has doubled its valuation from its last financing
	 SoftBank	\$502M	\$1,000M	Improbable, a gaming development platform, has raised over half a billion dollars to build out its SpatialOS operating system and developer ecosystem
	N/A	\$150M	\$12,300M	Pinterest, which has now raised nearly \$1.5 billion, targeted \$500 million in revenue in 2017 as it prepares for an eventual IPO
	N/A	\$200M	\$1,800M	Reddit tripled its previous valuation and will use new capital towards redesigning its website and making a push into video
		\$450M	\$5,700M	Vice Media raised a new round of funding to launch new initiatives into OTT, subscriptions and Vice Studios ahead of its anticipated IPO
		\$140M	\$1,300M	Marketing technology company Zeta Global raised \$140 million (\$25 million of debt financing) with a potential IPO on the horizon

# LUMA 2017 Deals

November 2017



investment by



The undersigned acted as a financial advisor to AppLovin, Inc.



September 2017



has agreed to be acquired by



The undersigned acted as financial advisor to Simplifi Holdings



July 2017



has agreed to be acquired by



The undersigned acted as exclusive financial advisor to Flashstock Technology, Inc.



May 2017




has agreed to be acquired by




The undersigned acted as financial advisor to Moat, Inc.




April 2017




has been acquired by



a subsidiary of



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



March 2017



Snap Inc.

Initial Public Offering  
\$3,400,000,000

LUMA Securities, a wholly-owned broker dealer of the undersigned, acted as underwriter to Snap Inc.



February 2017



has been acquired by



The undersigned acted as financial advisor to Adelphic, Inc.



January 2017



has been acquired by



The undersigned acted as exclusive financial advisor to INVIDI Technologies Corporation



# LUMA's Differentiated Value Proposition



The Leading Strategic  
Advisory Firm  
in Digital Media  
and Marketing

1. Peerless 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 6 million views from 211 countries)



**Publications**  
(over 3 million views)



**Digital Briefs**



**Conference Keynotes**



**Corporate Teach-ins**



**Completed Deals at Premium Valuations**







**Investment Banking. Evolved.**

New York | Palo Alto