LUMA

Digital Brief 009

Q2 2016
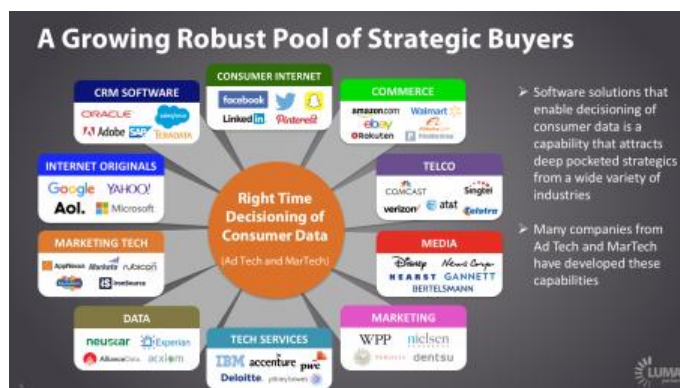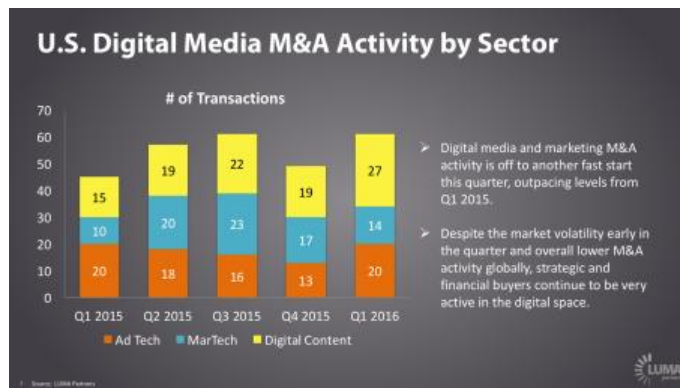## Market Report

	April							May							June					
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	25	26	27	28	29	30	1	30	31	1	2	3	4	5
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26
25	26	27	28	29	30	1	23	24	25	26	27	28	29	27	28	29	30	1	2	3
2	3	4	5	6	7	8	30	31	1	2	3	4	5	4	5	6	7	8	9	10

# LUMA's Singular Focus on Digital Media
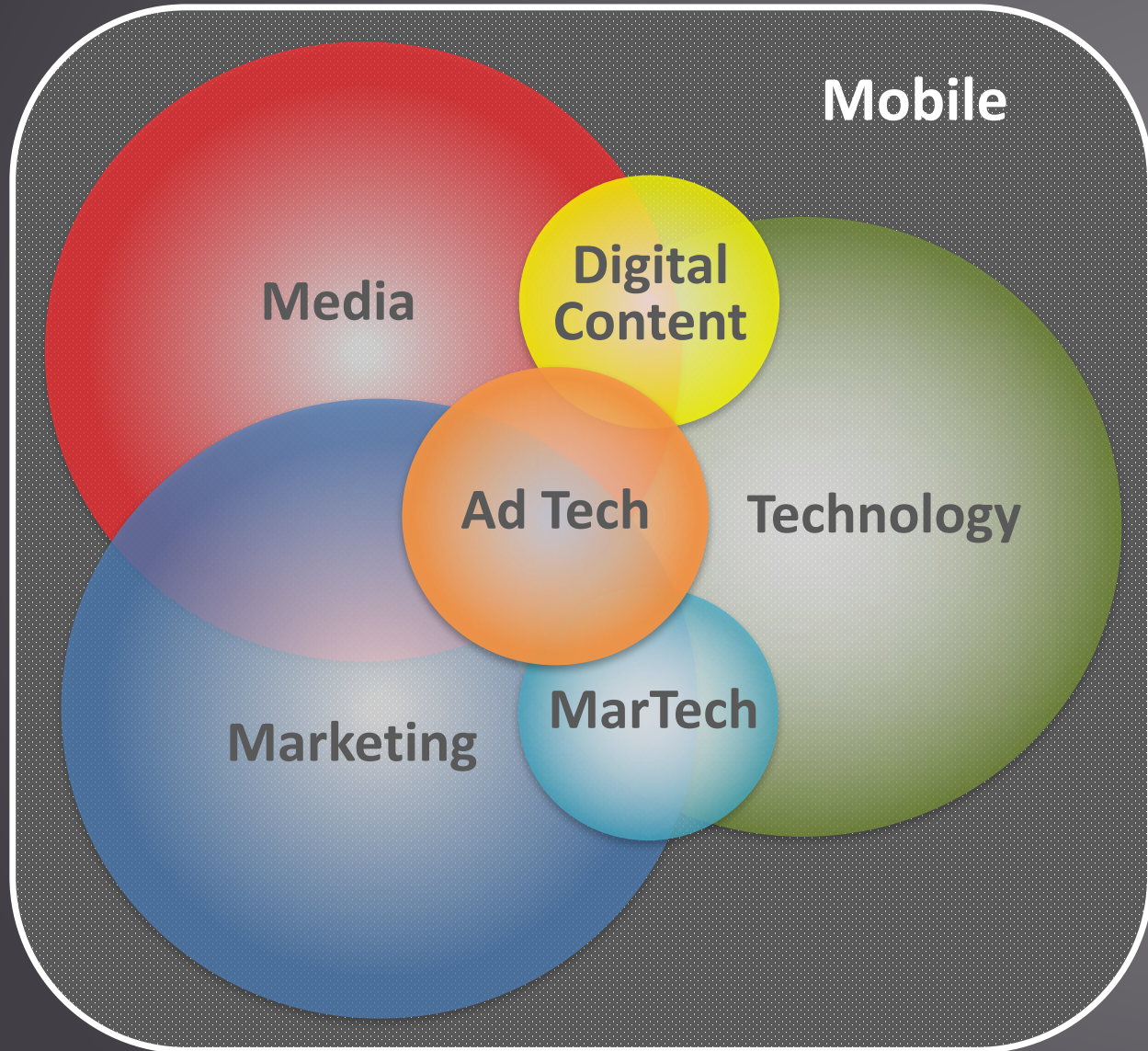
- ➤ LUMA's expertise is at the intersection of Media, Marketing and Technology

- ➤ 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 Q1 2016 **Market Report**, we reported 62 mergers and acquisitions 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
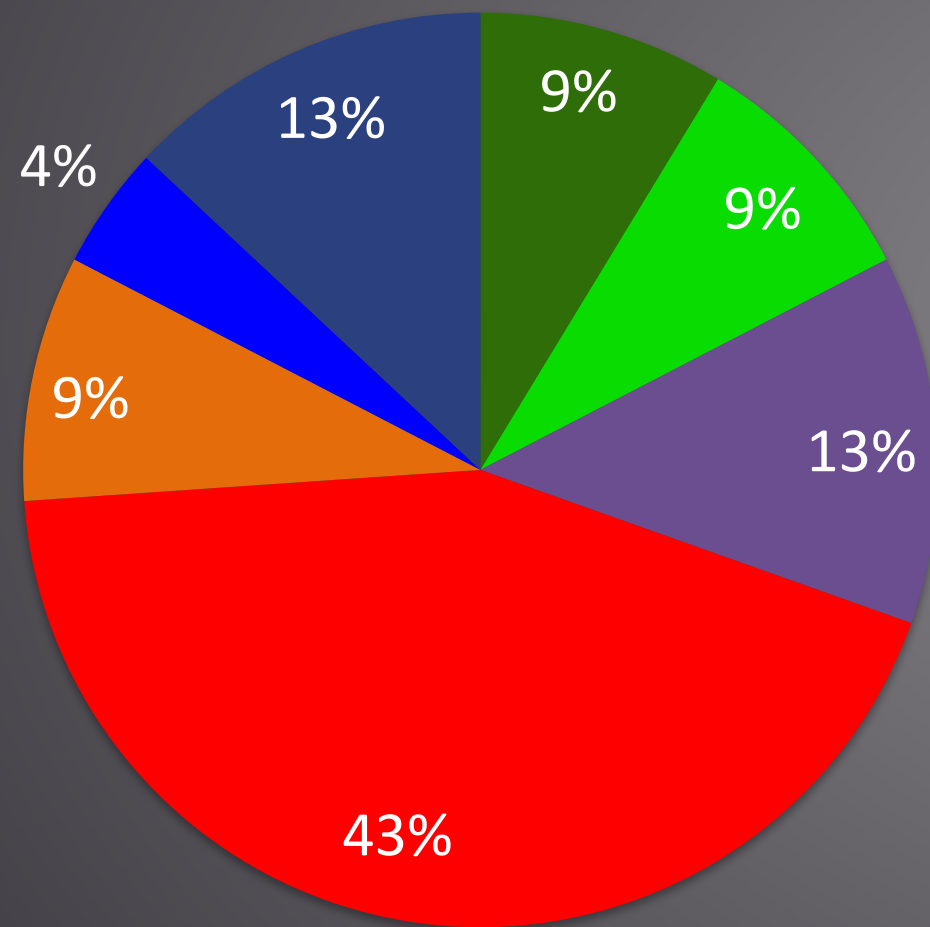
U.S. Digital Media M&A Activity by Sector

# of Transactions
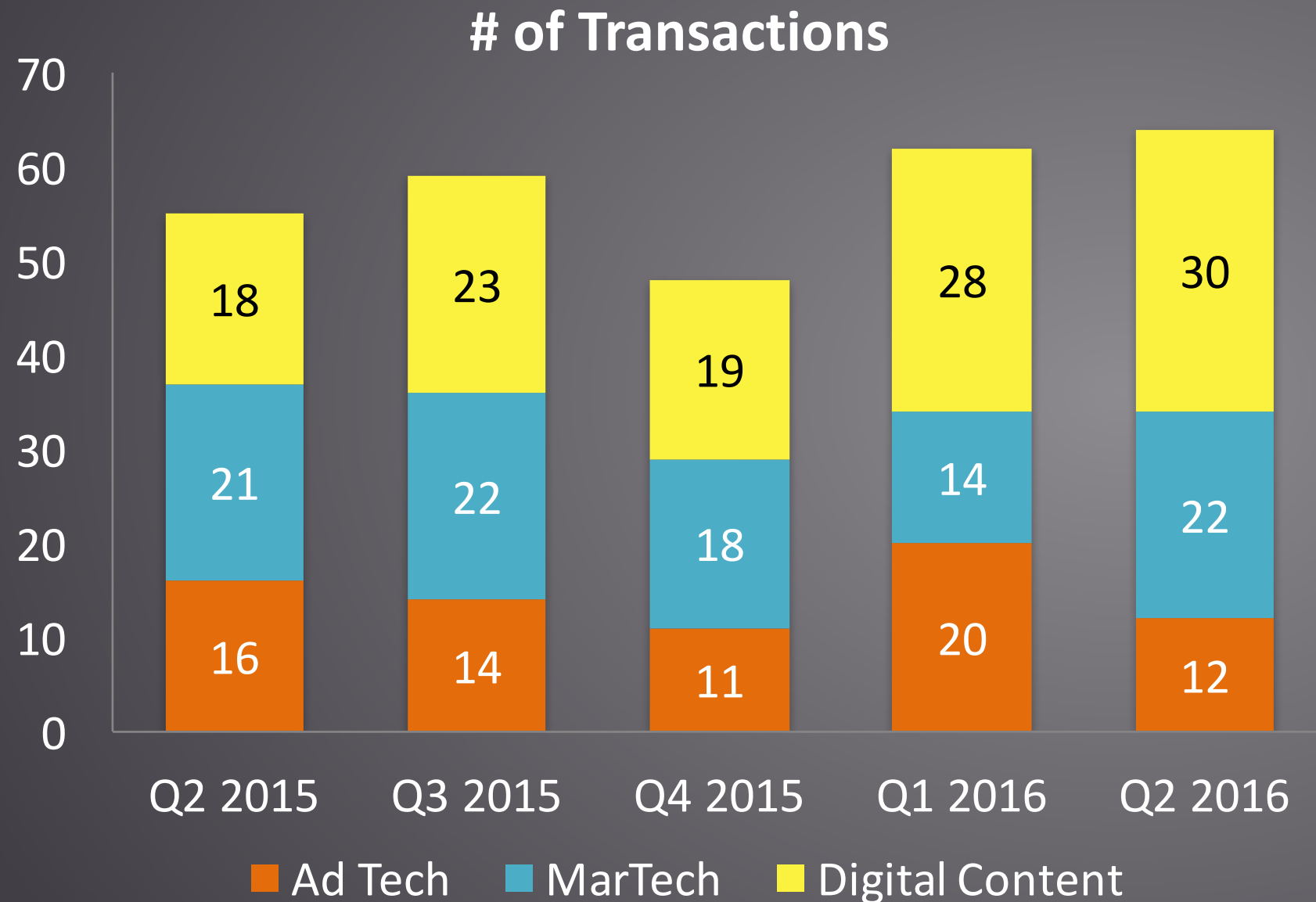
- ➤ With venture capital funding activity cooling off and a tepid IPO market, M&A remains a bright spot in this highly fragmented environment as deal activity continues to grow on a robust pace

- ➤ Ad Tech M&A activity notably slowed this quarter while MarTech M&A saw an uptick in activity with major deals including the acquisitions of Demandware, Marketo and Sitecore

Source: LUMA

Digital Media M&A Activity by Strategic Buyers

Q2 2016
Strategic Buyers Transactions

Pie chart:
- Consumer Internet: 9%
- Commerce: 9%
- Telco: 13%
- Media: 43%
- Marketing Tech: 9%
- Internet Originals: 4%
- CRM Software: 13%

Legend:
- Consumer Internet
- Commerce
- Telco
- Media
- Marketing Tech
- Tech Services
- Internet Originals
- CRM Software
- Marketing
- Data

- ➢ In the second quarter, buyers from Media, Telco and CRM Software led M&A activity

- ➢ The Dreamworks and Supercell acquisitions headlined the significant consolidation in Media this quarter

- ➢ The marketing cloud wars are heating up with Salesforce, Oracle and Adobe making notable acquisitions across e-commerce, data, and content engagement technology

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Ad Tech M&A Activity

of Transactions

Bar chart showing # of Transactions by quarter, split by +$100M (orange) and <$100M (blue):
- Q2 2015: <$100M = 15, +$100M = 1
- Q3 2015: <$100M = 11, +$100M = 3
- Q4 2015: <$100M = 10, +$100M = 1
- Q1 2016: <$100M = 19, +$100M = 1
- Q2 2016: <$100M = 10, +$100M = 2

Legend: ■ +$100M   ■ <$100M
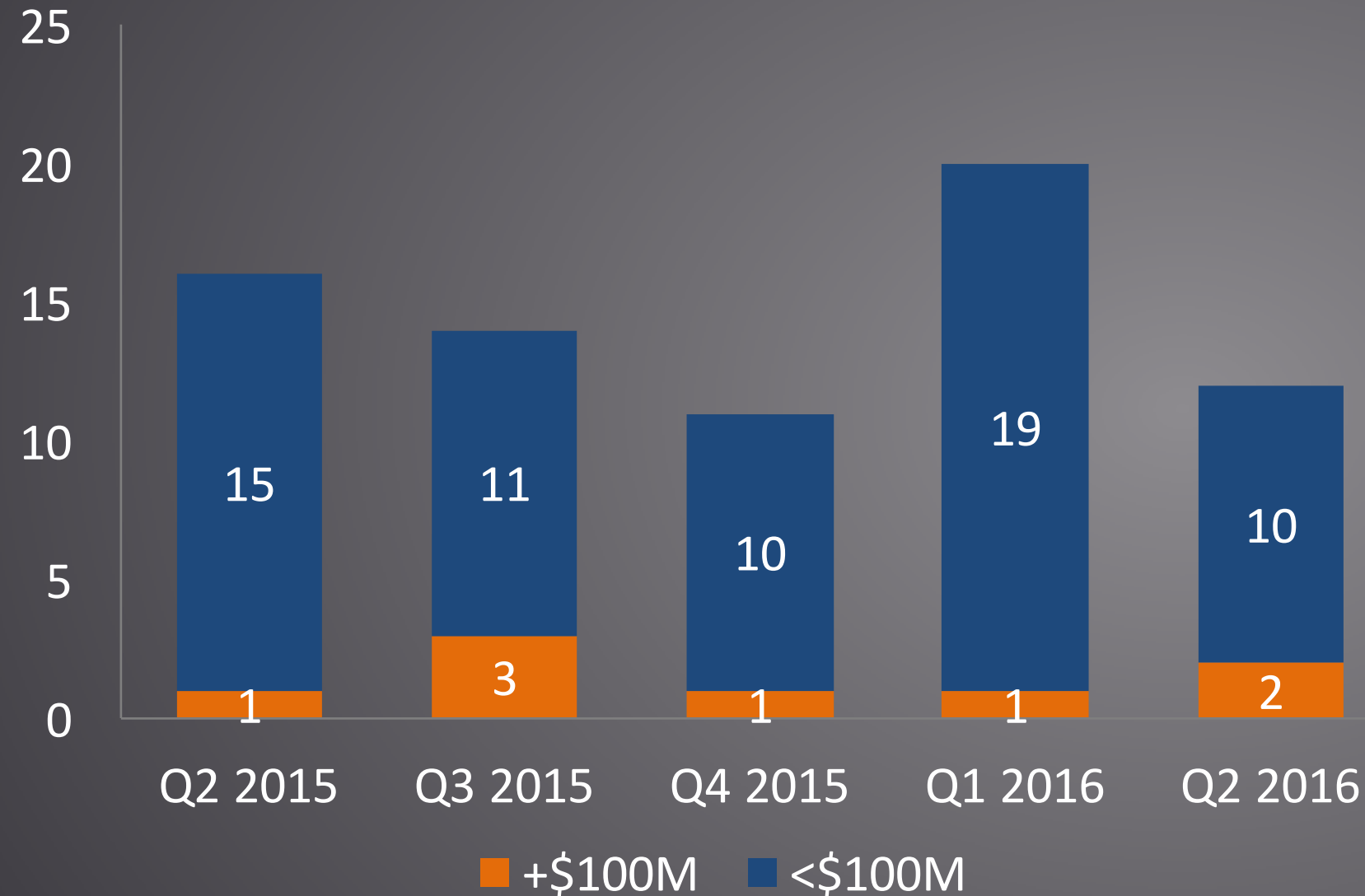
➢ **Observations**
- Ad Tech M&A volume and deal value fell this quarter reflecting a decline both q-o-q and y-o-y
- Despite the decline, we expect more consolidation due to increasing fragmentation in the space and a growing pool of buyers

➢ **Looking Ahead – People-based Marketing**
- People-based marketing has emerged to deliver ads to real users based off of first-party data
- Leveraging this technology enables true one-to-one marketing across devices

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Ad Tech – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
adgear	SAMSUNG	N/A	N/A	Samsung acquired Canadian DSP / ad server AdGear to help its push into advertising where it can monetize effectively across TV and mobile
REACHLOCAL	GANNETT	NASDAQ	$170M	Gannett has agreed to acquire local digital marketing company, ReachLocal, to bolster the publisher's growing digital business
STICKYADSTV	COMCAST	$6M	>$100M	Comcast acquired StickyAds, a video SSP based out of France, as it builds out its programmatic TV / digital video advertising business

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MarTech M&A Activity

of Transactions

Chart: # of Transactions (stacked bar chart)

Quarter	+$100M	<$100M
Q2 2015	5	16
Q3 2015	3	19
Q4 2015	3	15
Q1 2016	2	12
Q2 2016	5	17

Legend: ■ +$100M ■ <$100M
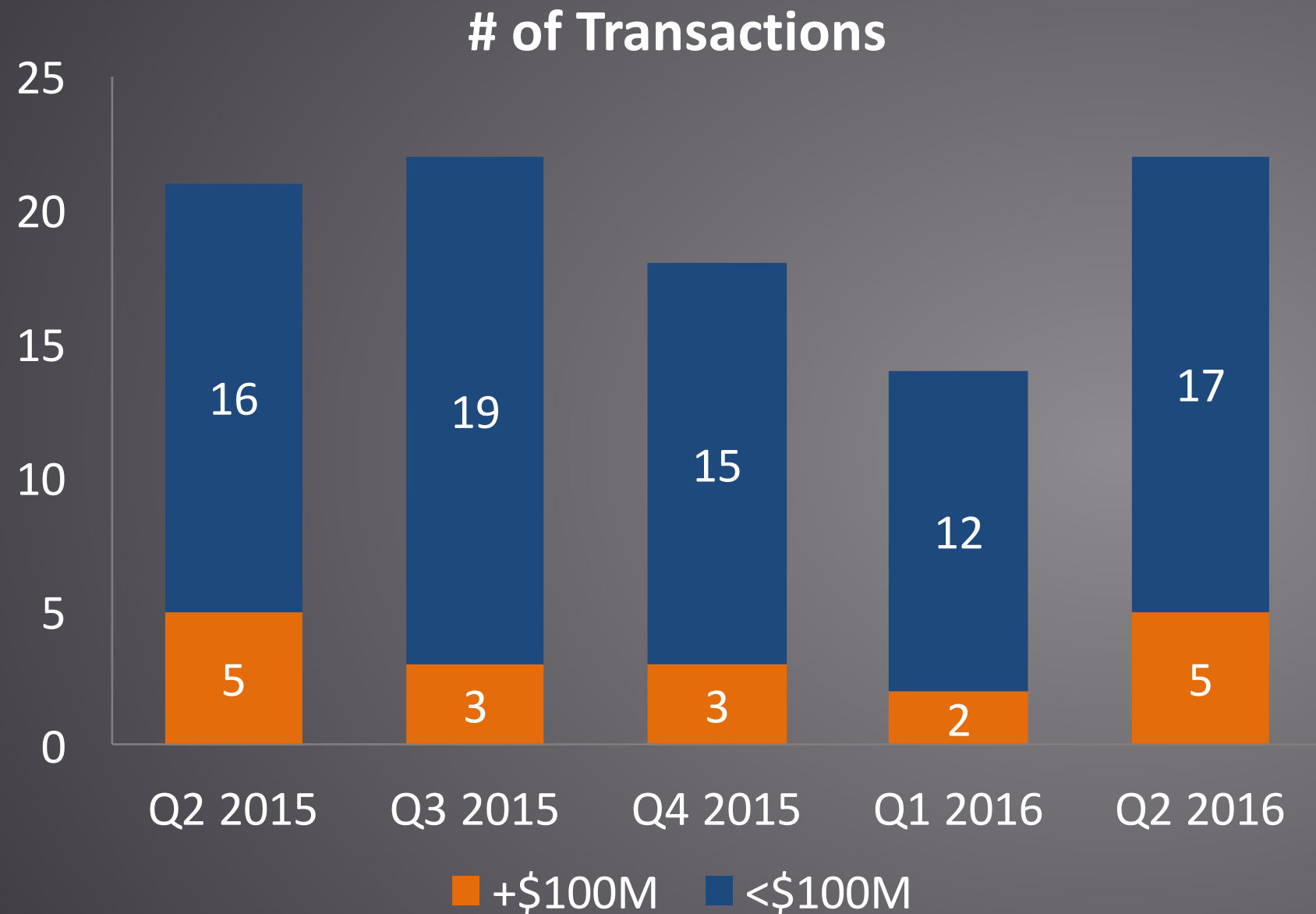
➢ **Observations**
- It was the quarter of private equity deals with EQT, Marlin Equity and Vista all active buyers
- Vista was the surprise buyer for Marketo, rumored to be a target for SAP and Microsoft, paying a strategic 6x revenue multiple
- Teradata exited the marketing software business for $90MM, after paying $525MM for the assets from Aprimo in 2010
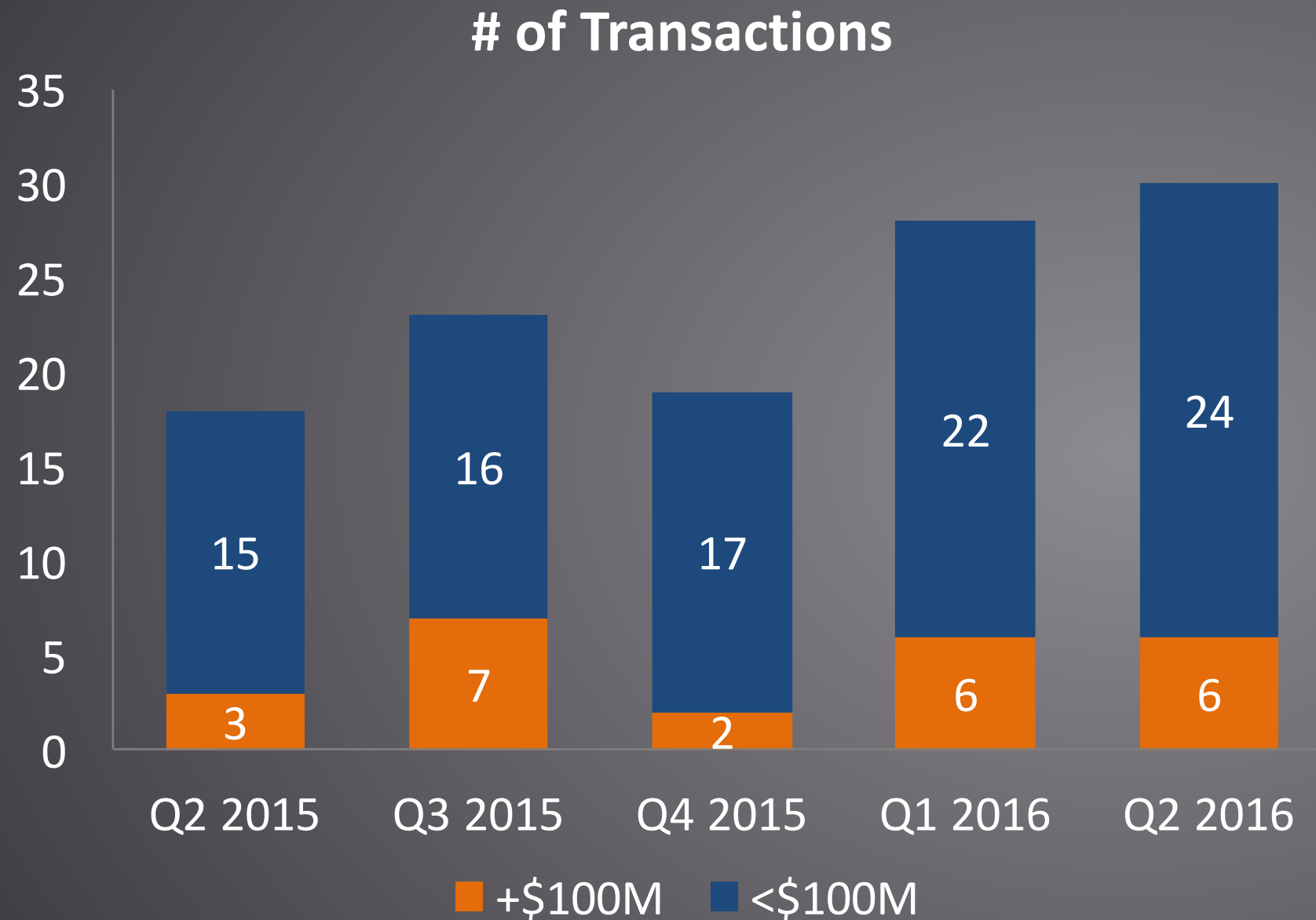
➢ **Looking Ahead – Private Equity Buyers**
- Private equity buyers are becoming more active and paying strategic multiple for the quality targets; look for this to continue

Source: LUMA

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MarTech – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
crosswise	**ORACLE**	$5M	$50M	By acquiring Crosswise, Oracle adds cross-device technology to its Data Cloud, further strengthening the tech giant's data assets and capabilities
demandware	**salesforce**	NYSE	$2.7B	Leading CRM platform Salesforce.com acquired Demandware, the leading enterprise cloud-based e-commerce platform provider, to create its new Commerce Cloud
hp Customer Experience CMS / Customer Management	**OPEN TEXT**	NYSE	$170M | $315M	Open Text acquired HP's Customer Management and Customer Experience software assets (formerly Interwoven) to complement its own customer management offerings
livefyre	**Adobe**	$67M	N/A	Adobe acquired Livefyre, a content marketing and engagement platform, and will integrate its technology into the Adobe Experience Manager
Marketo	**Vista Equity Partners**	NASDAQ	$1.7B	Marketo, a marketing automation company with over 4,600 customers, will be taken private by Vista Equity Partners
sitecore	**EQT**	N/A	$1.1B	TCV's position in Sitecore, a web content management system, was acquired by EQT Partners for a strategic multiple as it plans to expand its digital marketing capabilities
TERADATA Marketing Software	**MARLIN EQUITY PARTNERS**	NYSE	$90M	Teradata divested its marketing software assets to Marlin Equity for a significantly lower price than the $525MM Teradata paid to acquire the assets in the 2010 from Aprimo

Source: Capital IQ; Crunchbase

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Digital Content M&A Activity

of Transactions

Chart legend: ■ +$100M   ■ <$100M

Quarter	<$100M	+$100M
Q2 2015	15	3
Q3 2015	16	7
Q4 2015	17	2
Q1 2016	22	6
Q2 2016	24	6

➤ **Observations**
- The Supercell, Dreamworks and LinkedIn acquisitions were the highlights of the quarter while acquisitions of Complex Media and Fusion and many other niche publishers were the trend

➤ **Looking Ahead – Virtual Reality**
- Continued investment and M&A activity in virtual reality is evidence of a maturing industry
- From incumbents to new startups, the entire media ecosystem is focused on exploring new possibilities with this rich and engaging medium

Source: LUMA

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Digital Content – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
COMPLEX	verizon HEARST	$61M	$250M	Verizon and Hearst jointly acquired Complex Media, a male-focused media company, to gain its coveted audience as Complex becomes more video-centric
DREAMWORKS ANIMATION SKG	COMCAST	NASDAQ	$4.1B	NBCUniversal (Comcast) acquired Dreamworks Animations to bolster its portfolio of entertainment franchises across TV, film, and digital properties
eMarketer	axel springer	$25M	$250M	German media giant Axel Springer acquired market research firm eMarketer as the company expands its digital presence into English-speaking markets
FUSION	UNIVISION	N/A	N/A	Univision acquired Disney's stake in Fusion, a TV and digital media publisher, and is creating Fusion Media Group to house its group of media properties
Linked in	Microsoft	NYSE	$26.2B	By acquiring LinkedIn, Microsoft adds the ubiquitous professional network and its diverse revenue models to Microsoft's "professional cloud"
SUPERCELL	Tencent 腾讯	N/A	$10.2B	Chinese media giant Tencent Holdings acquired a majority stake in the massively profitable maker of the popular mobile gaming franchise Clash of Clans

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Ad Tech – Q2 2016 Stocks Performance
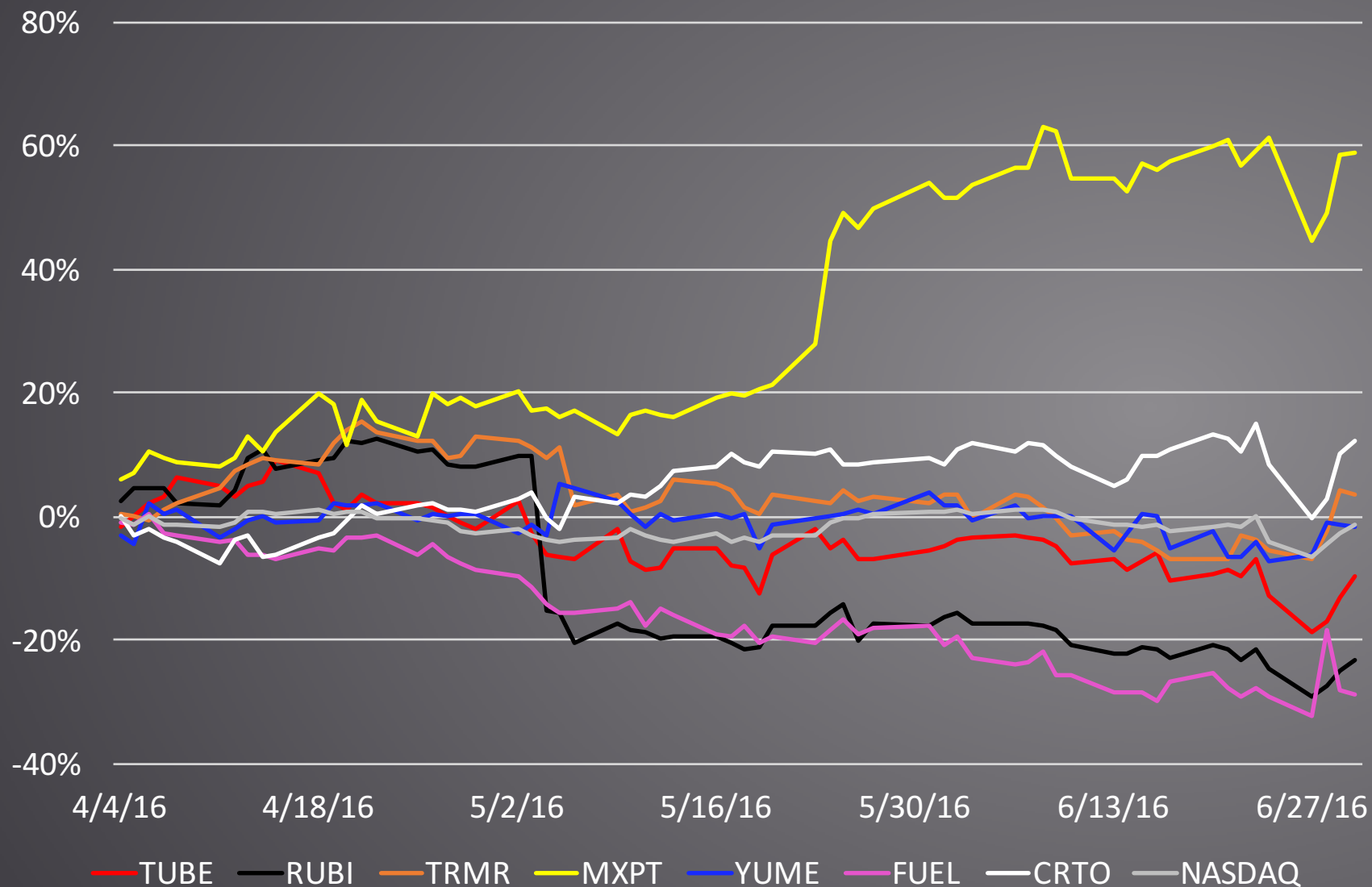

- ➢ **Ad Tech Stumbles in Q2**
  - ▪ Although the sector gained 1% in value, it was significantly driven by CRTO's growth
  - ▪ RUBI, TUBE and FUEL suffered sharp declines in Q2

- ➢ **Highlights**
  - ▪ Following its successful reverse stock split, MXPT finished nearly 60% at the end of the quarter
  - ▪ Excluding MXPT, only CRTO shined after reporting strong revenue growth of 36% and mobile advertising making up over 50% of revenue for its Q1 performance

MarTech – Q2 2016 Stocks Performance
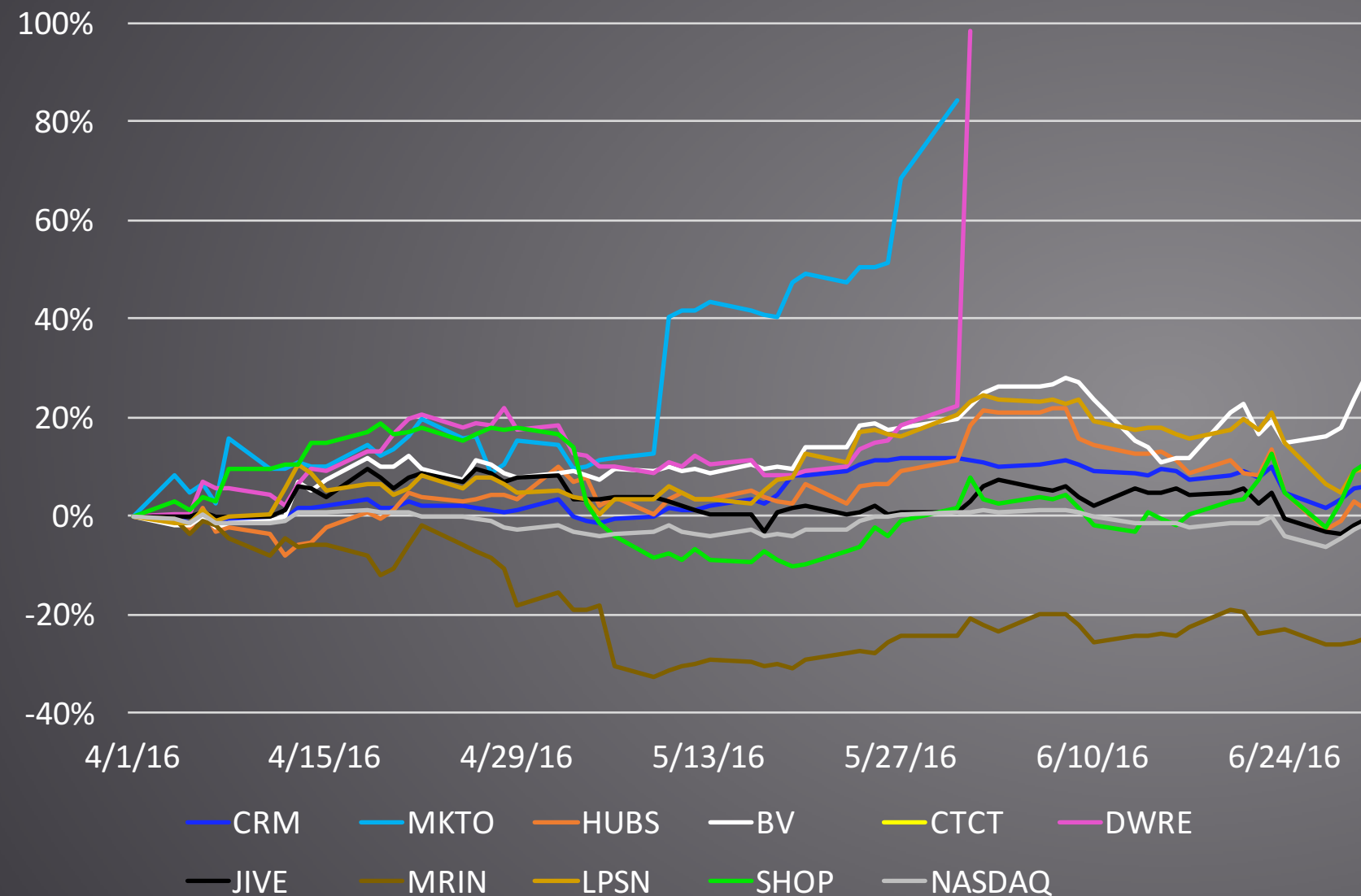
- ➤ **MarTech Rebounds**
  - ▪ MarTech recovered from a poor Q1: each stock grew on average 4% excluding MKTO and DWRE
  - ▪ SHOP continues to have great 2016, gaining 11% after rising over 18% in the prior quarter

- ➤ **Highlights**
  - ▪ Two major MarTech players, MKTO and DWRE, were acquired for $1.8 billion and $2.8 billion respectively
  - ▪ MKTO and DWRE acquisition multiples were 7.5x LTM, 6.2x CY revenue and 10.5x LTM, 8.8x CY revenue respectively

Market Data as of 6/30/16

Q2 Key Startup Financings to Watch

	Lead Investor	Capital Raised	Valuation	Comments
Meta	Horizons Ventures 维港投资	$50M	~$300M	Meta, an augmented reality startup, raised funding to continue development of its newest Meta 3 headset and software tools
Medium	SPARK CAPITAL	$50M	$600M	Publishing platform Medium is building towards its vision as a publishing network after signing major publishers to its platform
musical.ly	GGV CAPITAL / QIMING VENTURE PARTNERS	$100M	$500M	The music video creator app popular with young teens is growing rapidly with over 60 million users as it becomes a full-fledged social network
Outbrain	N/A	$45M	N/A	Content recommendation engine Outbrain is using new funding to build tools for publishers to maximize revenue and improve content discovery
showpad	INSIGHT VENTURE PARTNERS	$50M	N/A	Showpad, a sales enablement platform, has doubled revenue over the last four years and serves over 850 customers
Spredfast	RIVERWOOD CAPITAL	$50M	N/A	With its latest round of funding, social marketing platform Spredfast will make a push into planning and content creation, and expand integrations
Via	pitango VENTURE CAPITAL	$100M	N/A	Ridesharing company Via is expanding into new cities as it brings its differentiated model – flat fee pricing and shared rides – to more markets

Source: Crunchbase

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LUMA's Recent Content

**State of Digital Media
Presented at DMS 16**

➤ At our 8th annual Digital Media Summit, we presented the State of Digital Media, which provides our views on the market and significant trends in digital media

**LUMA Digital Brief 008
Scape of Cards**

➤ "Scape of Cards" explains the issues facing the digital advertising ecosystem and the implications for all the key constituents

**State of Digital Marketing
Presented at DMS West 15**

➤ 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

LUMA's Funny Business

Meeker for Millennials

➤ We parodied Eminem's Lose Yourself to help explain Mary Meeker's Internet Trends deck at the Code Conference. Those lyrics were hard – new found respect for rap!

Cannes Yacht LUMAscape

➤ The continued proliferation of rented yachts by the tech ecosystem seemed like the perfect opportunity for a LUMAscape

Cannes Carpool Karaoke

➤ Since Cannes Lions is about creativity, we adopted James Corden's popular Carpool Karaoke format to feature the enthusiasm of digital leaders, starting with the inimitable Carolyn Everson

LUMA's Differentiated Value Proposition

1. Peerless Industry Knowledge

2. Strategic Approach

3. Execution Excellence

LUMA's Content-Driven, Expert-Based Approach

LUMAscapes
(over 6 million views from 211 countries)

DISPLAY | MOBILE | VIDEO | SOCIAL | NATIVE | SEARCH | MARTECH | COMMERCE | GAMING | STRATEGIC BUYERS

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(over 3 million views)

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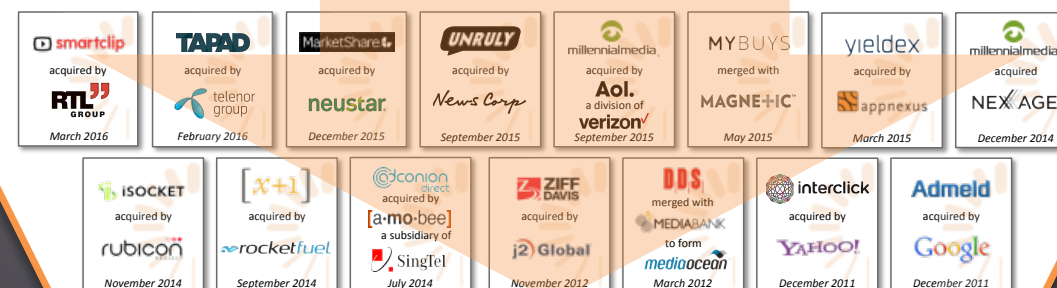
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