

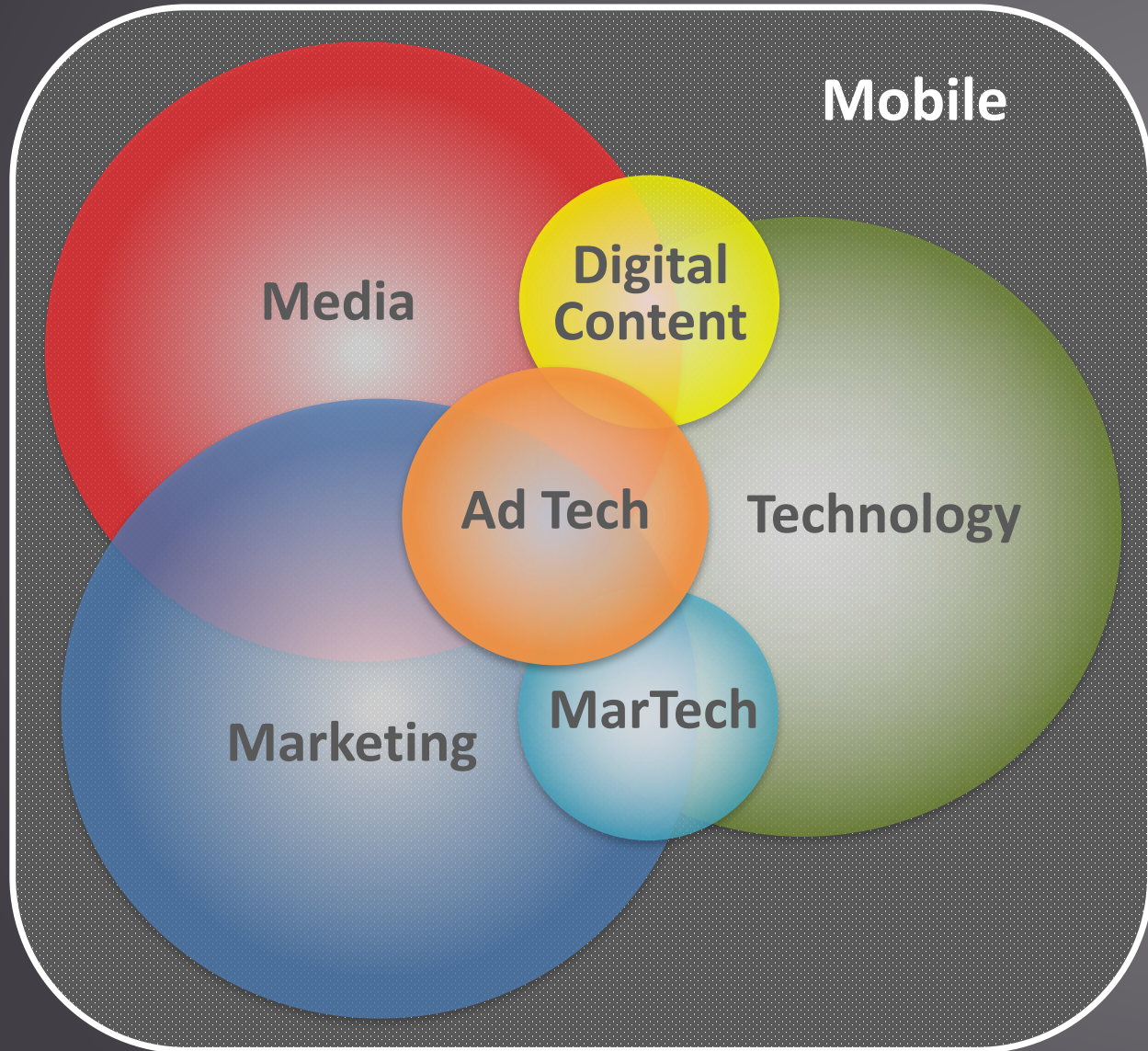


Digital Brief 011

Q3 2016 Market Report

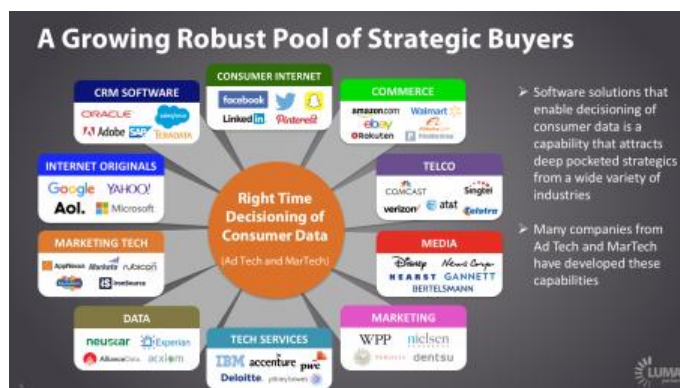
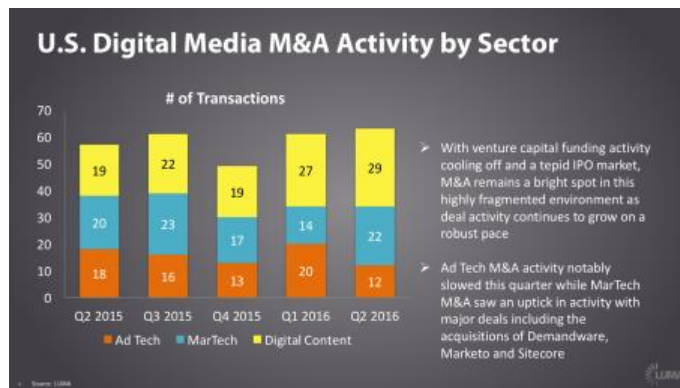
July							August							September						
Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun
27	28	29	30	1	2	3	1	2	3	4	5	6	7	29	30	31	1	2	3	4
4	5	6	7	8	9	10	8	9	10	11	12	13	14	5	6	7	8	9	10	11
11	12	13	14	15	16	17	15	16	17	18	19	20	21	12	13	14	15	16	17	18
18	19	20	21	22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

LUMA's Singular Focus on Digital Media



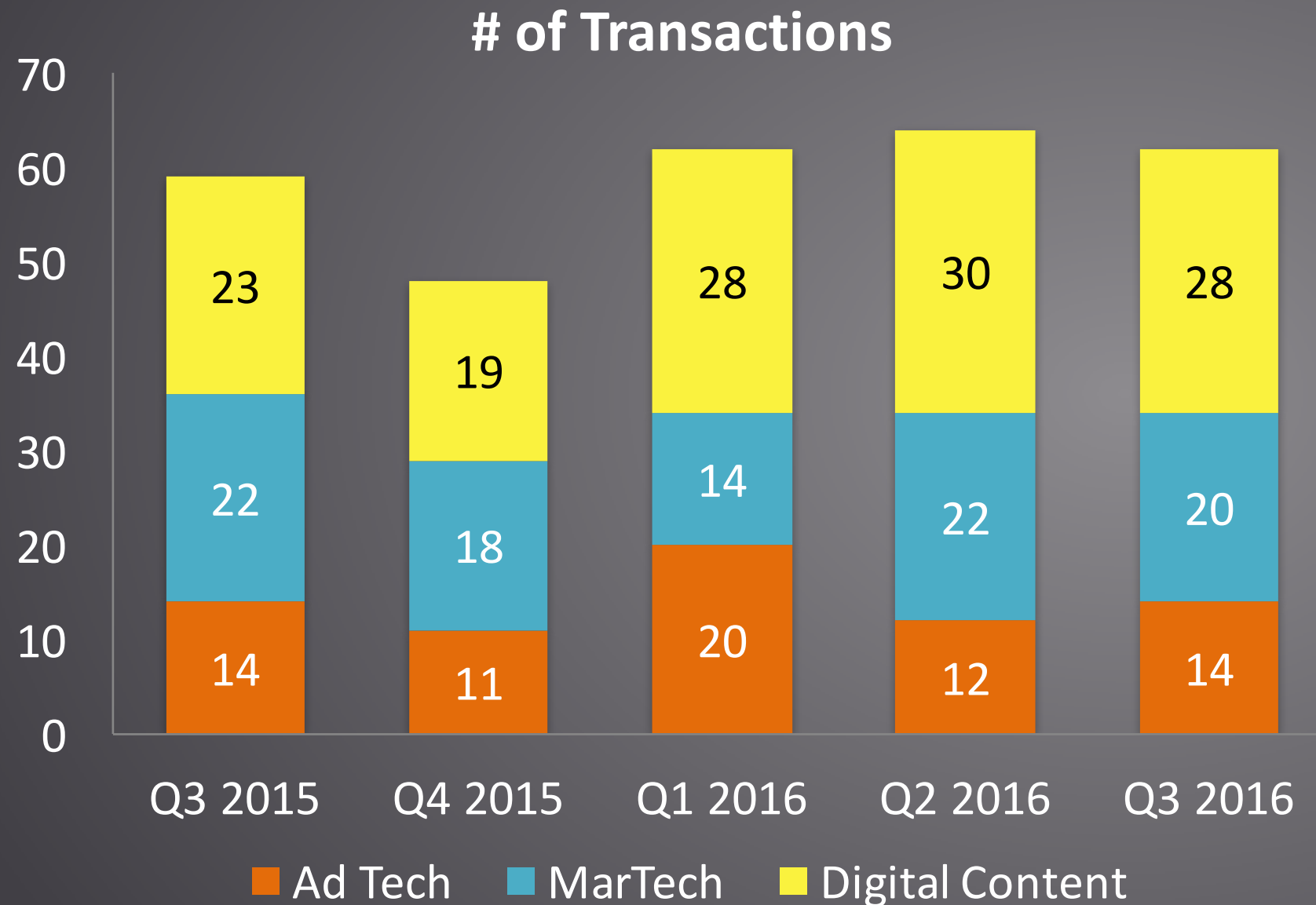
- LUMA's expertise is at the intersection of Media, Marketing and Technology
- At this intersection exists:
 - **Digital Content:** content sites, MCNs, game publishers, aggregators
 - **Ad Tech:** display, search, video, mobile, social, content marketing/native, connected TV
 - **MarTech:** data, analytics,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



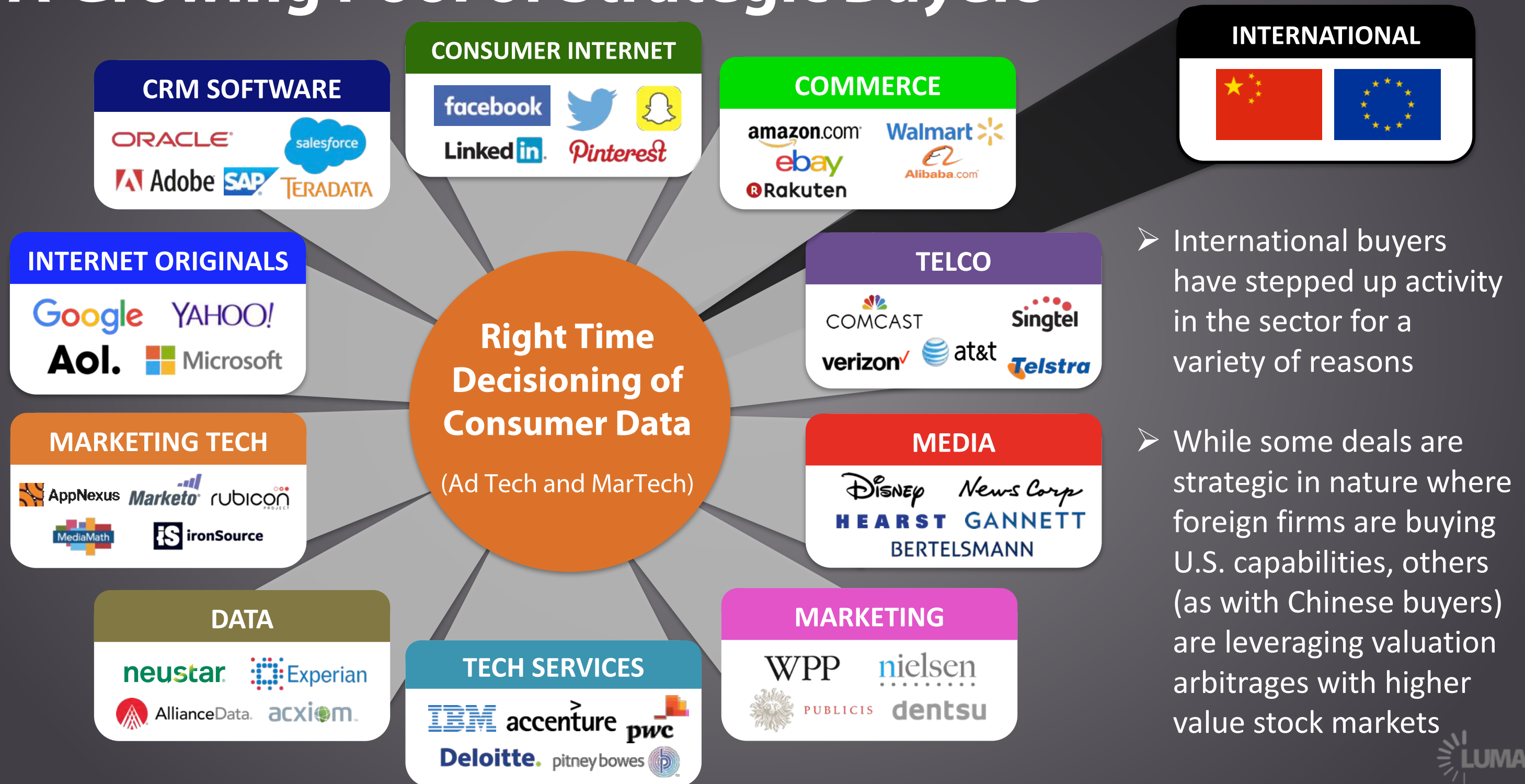
- In our last Q2 2016 **Market Report**, we reported 64 mergers and acquisitions in digital media and marketing
- The deals we track in this report fall into one of four categories:
 - Large (over \$500 mm)
 - Medium (\$100 – \$500 mm)
 - Small (\$20 – \$100 mm)
 - Sub \$20 mm exits are considered tech and team deals, capitulations, or undisclosed

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



- Although M&A activity remained steady, there were many large scaled billion dollar deals including the AppLovin, NetSuite, Playtika, and Yahoo acquisitions
- As venture capital funding dries up and fragmentation causes more undifferentiated companies to struggle, we expect to see more of a mix of strategic and “capitulation” deals in the future

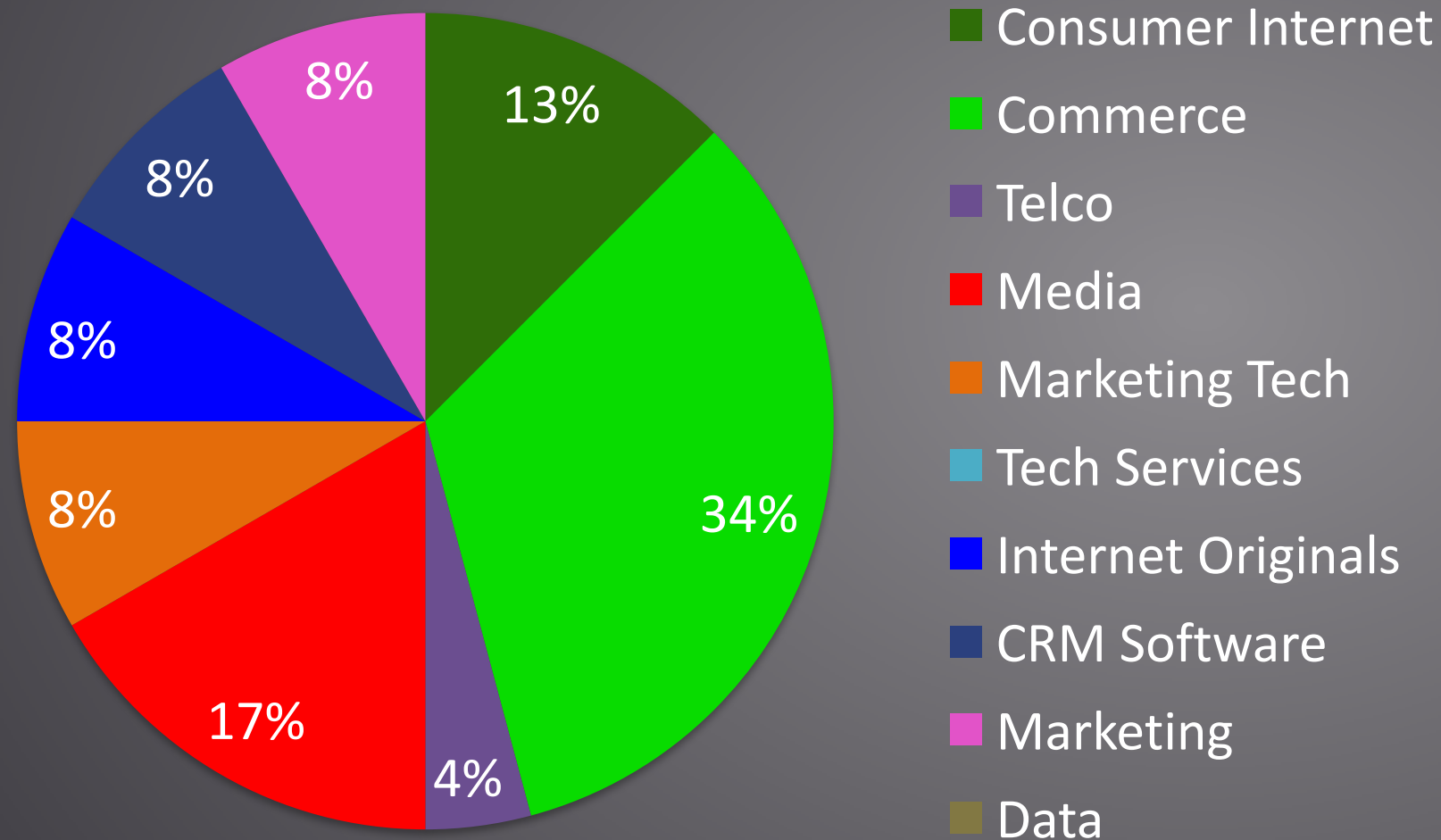
A Growing Pool of Strategic Buyers



Digital Media M&A Activity by Strategic Buyers

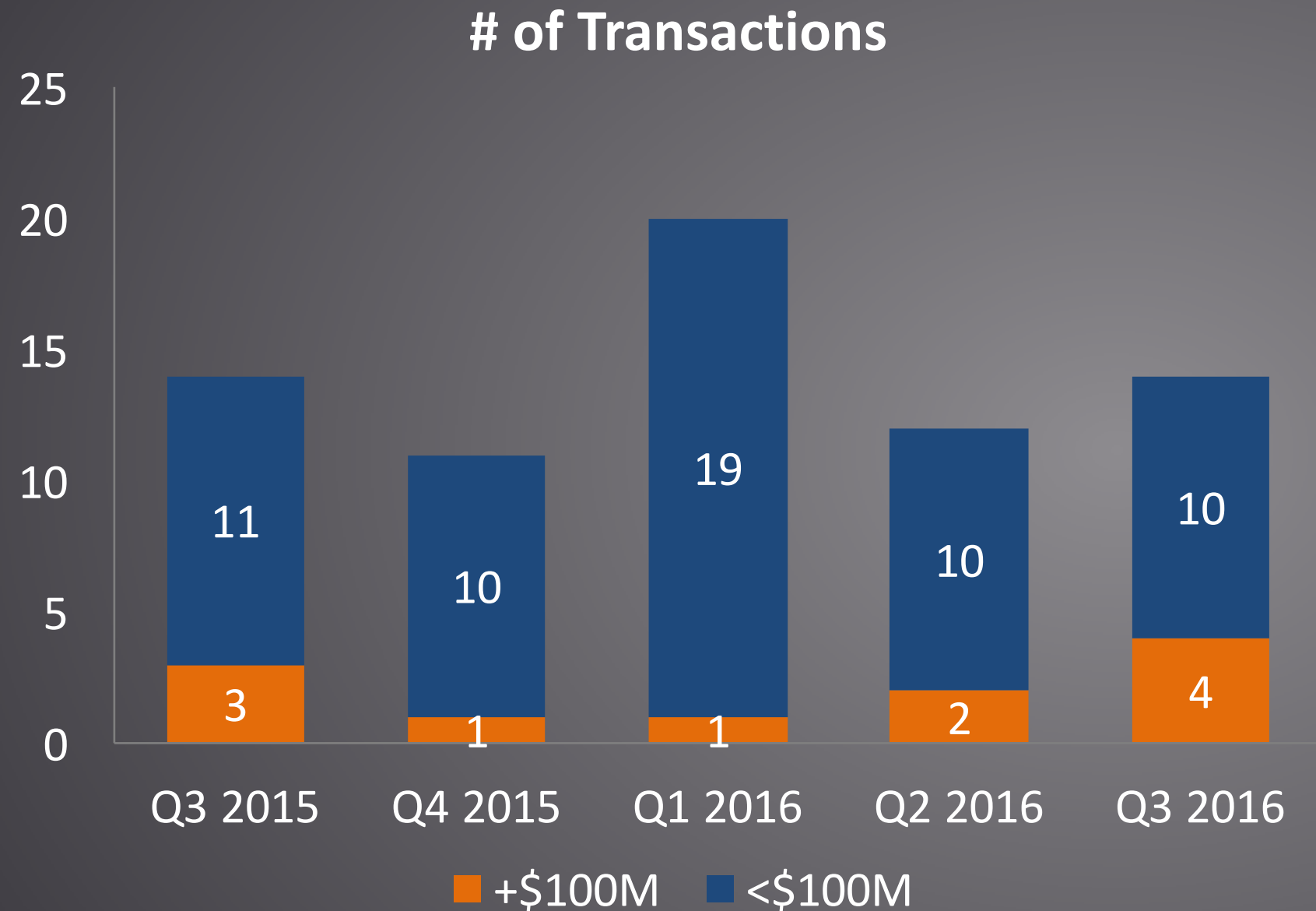
Q3 2016

Strategic Buyers Transactions



- In the third quarter, buyers from Commerce were very active including Expedia and Rakuten Marketing
- We expect to see credit card companies, which possess rich transaction data from billions of users, to enter this space in a meaningful way either through M&A or investments

Ad Tech M&A Activity















➤ Observations

- China was the major story this quarter as three large scaled acquisitions were led by Chinese buyers
- The AppLovin and Media.net acquisitions are two of the largest Ad Tech deals in the past decade

➤ Looking Ahead – New Buyers

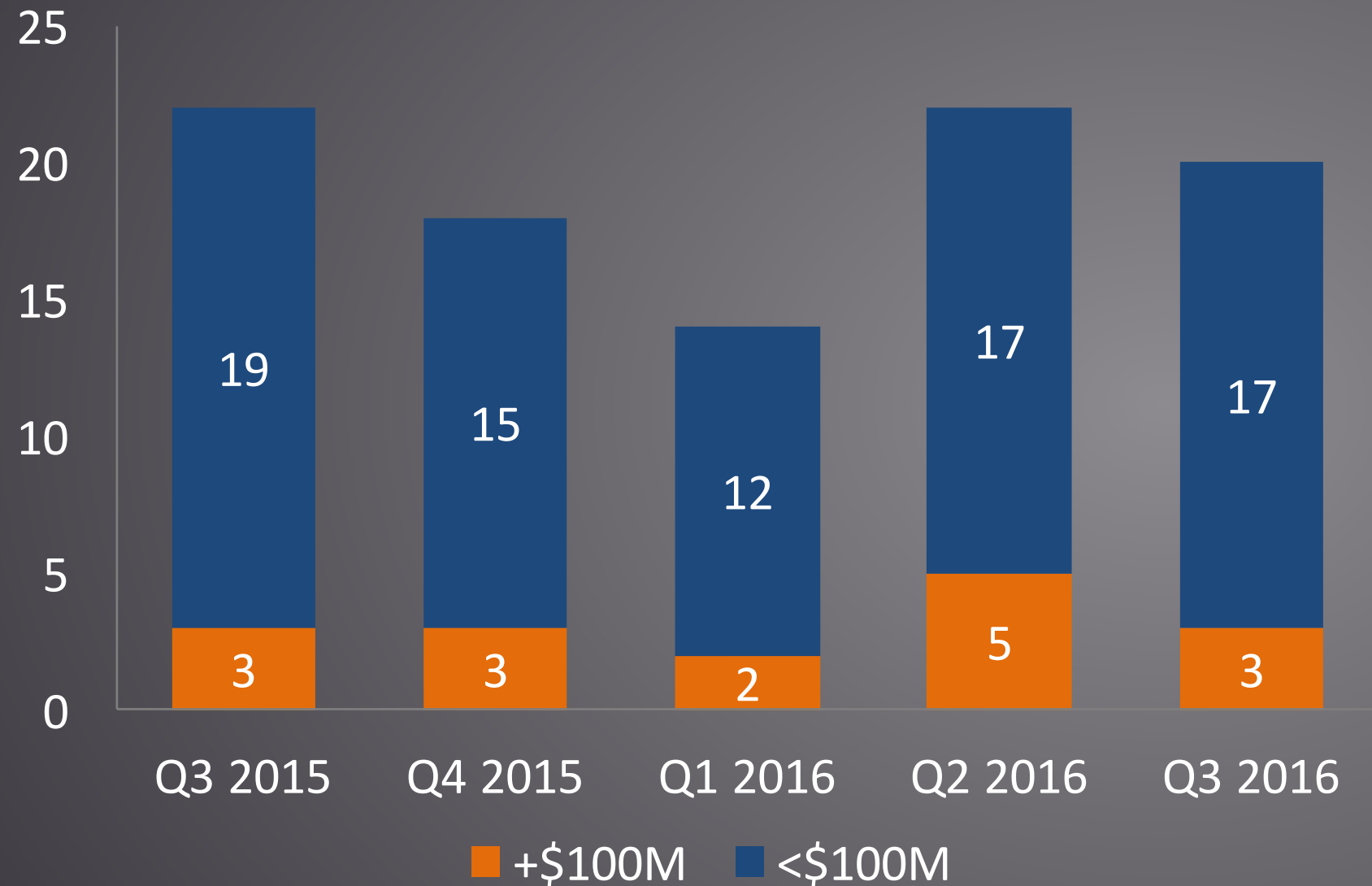
- We expect to see further M&A activity from Chinese and other foreign buyers as well as domestic new entrants to the sector

Ad Tech – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		\$4M	\$1.4B	Chinese private equity firm Orient Hontai Capital has agreed to acquire a majority stake in the fast-growing mobile ad network AppLovin.
		N/A	~\$100M	With the acquisition of ConvertMedia, Taboola will be able to deliver outstream video in addition to its core content recommendation offerings.
		\$45M	N/A	MediaOcean has acquired Invision, an Ad Tech company offering workflow solutions to broadcasters and MVPDs, to add sell-side tools to its core buy-side business.
		N/A	\$900M	Media.net, an Ad Tech company powering Yahoo Bing Contextual Ads, will be acquired by a Chinese consortium led by Beijing Miteno Communication Technology.
		NASDAQ	\$76M	Ad server Sizmek will be taken private by Vector Capital after its spin-off from DG and two years as a public company.
		\$43M	\$148M	Spearhead Marketing, an offline marketing provider based out of China, acquired publisher-focused mobile Ad Tech company Smaato for its first international acquisition.

MarTech M&A Activity

of Transactions










➤ Observations

- Oracle's pending acquisition of NetSuite was a strategic move for the software giant to better target the SMB market as it moves aggressively into the cloud
- Nuance, known for its speech recognition technology, acquired TouchCommerce to strengthen its customer engagement products

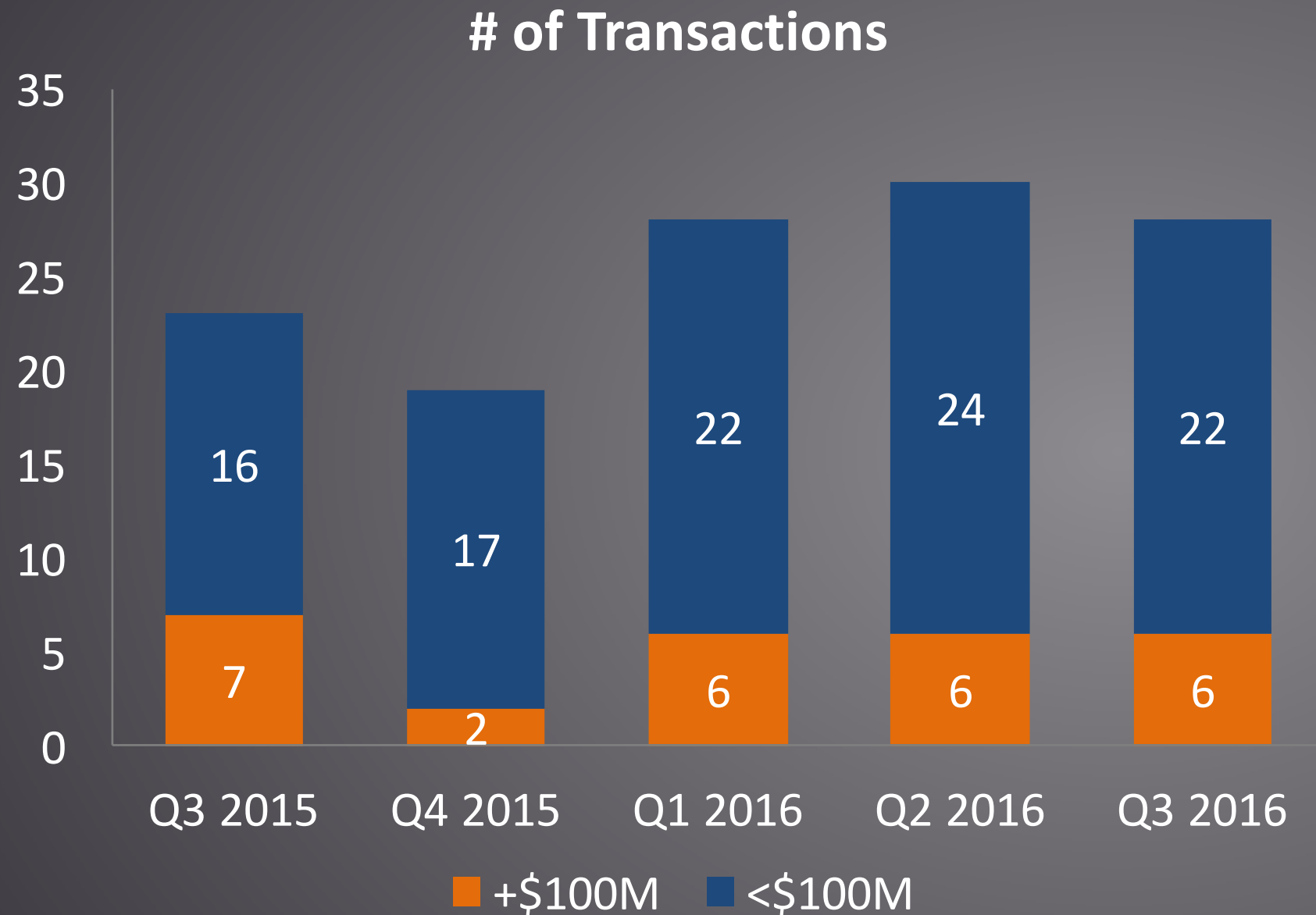
➤ Looking Ahead – Marketing Clouds and Private Equity

- Look for continued acquisitions from both “marketing clouds” as well as private equity-backed MarTech roll-ups

MarTech – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		N/A	\$50M	Zeta Interactive followed up its acquisition of eBay's e-Dialog business with the acquisition of Acxiom's marketing automation solution, Impact.
		NYSE	\$8.7B	Software giant Oracle has agreed to acquire NetSuite, the SaaS ERP leader (with marketing technology assets).
	Monotype	\$21M	\$149M	Font maker Monotype has acquired Olapic, a user-generated content marketing platform, to strengthen its marketing capabilities and expand beyond its font business.
		\$28M	\$215M	With the acquisition of TouchCommerce, Nuance's Enterprise business will gain its e-commerce focused customer service and engagement technology and expertise.

Digital Content M&A Activity












➤ Observations

- Gaming M&A continues to be robust with notable deals including the sales of Playtika, Rocket Games, and TinyCo in the quarter
- Microsoft and Twitch's acquisitions in game-streaming represent the growing interest the space has attracted over the past few years

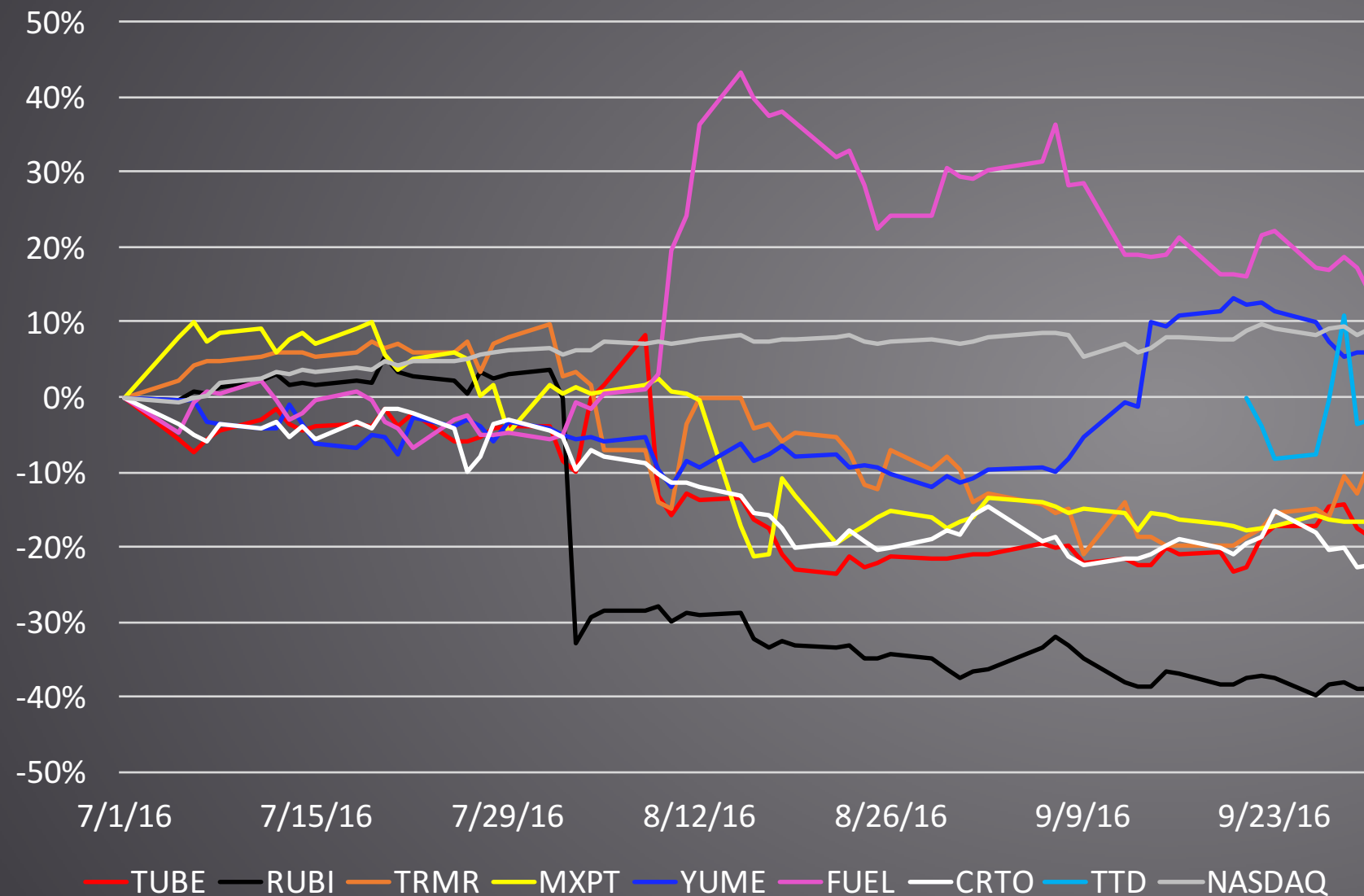
➤ Looking Ahead – Live vs. On-Demand

- While on-demand video has been the predominant format on the Web, live is emerging with great promise
- Partnerships, investments, and acquisitions will all be key to how live vs. on-demand plays out

Digital Content – Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		N/A	\$135M	After filing for bankruptcy, Gawker Media has been sold to the winning bidder Univision, the media giant which recently acquired The Onion and Fusion.
	Giant (Chinese Consortium)	N/A	\$4.4B	A consortium of Chinese buyers has agreed to acquire Playtika, the social casino gaming unit of Caesars Entertainment it originally bought in 2011.
		\$38M	N/A	SGN, a leading puzzle game maker, has acquired gaming studio TinyCo, known for popular titles including Family Guy and Marvel Avengers.
		\$10M	\$185M	The acquisition of Vurb, a mobile app focused on activities with friends, points towards Snapchat's growing ambitions to expand beyond its core messaging experience.
		NASDAQ	\$4.8B	Following its acquisition of AOL, Verizon has agreed to acquire Yahoo's core business, which includes its digital media properties and scaled Ad Tech capabilities.

Ad Tech – Q3 2016 Stocks Performance



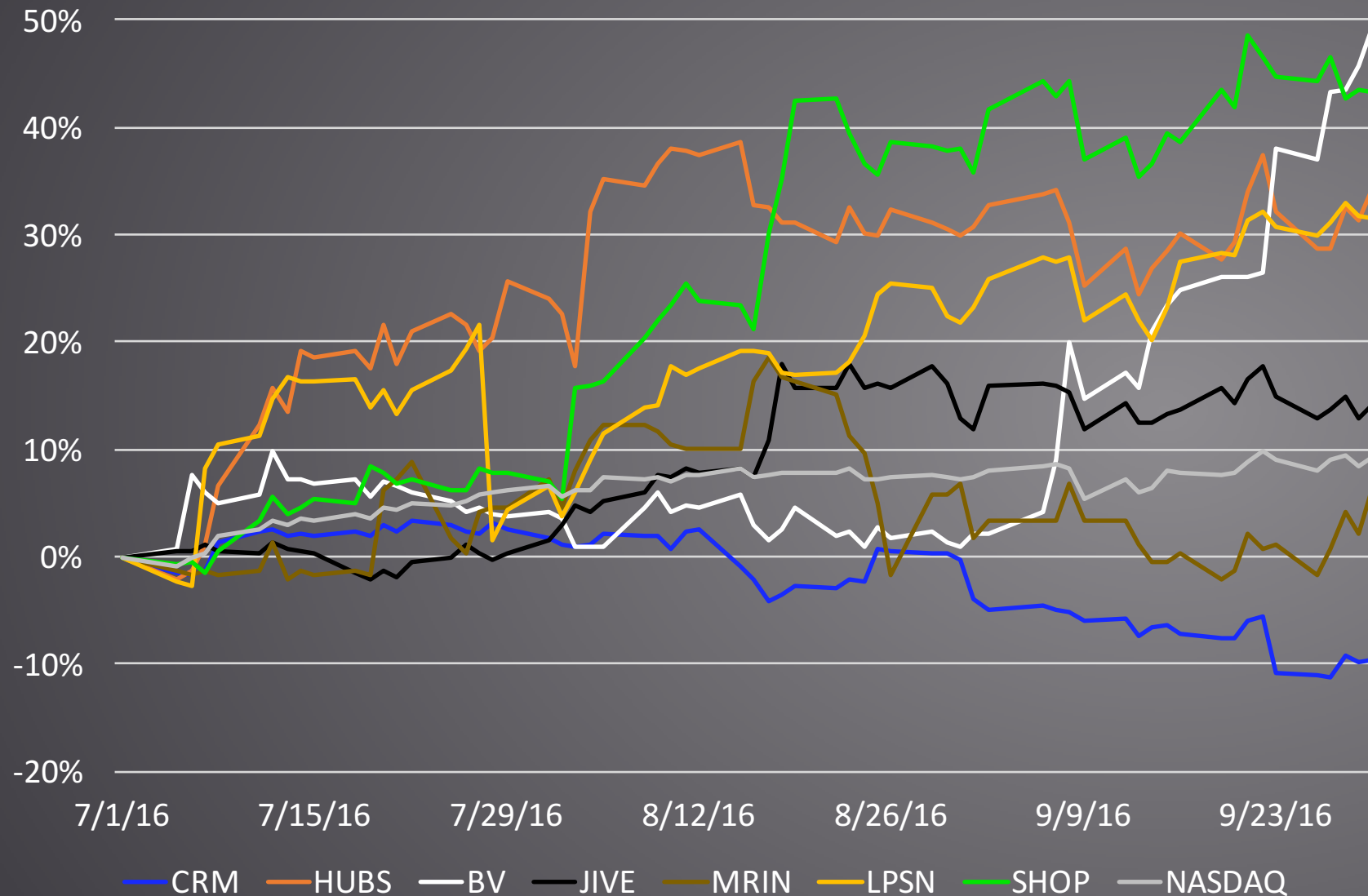
➤ Ad Tech Falls Again in Q3

- The Ad Tech sector suffered a significant decline in value in Q3, down over 20% with issues, such as header bidding hurting RUBI (39%) and CRTO (22%) the hardest

➤ Highlights

- The Trade Desk (TTD) had a successful IPO after raising \$84 million and closing its first day of trading valued at \$1.2 billion
- TTD is now the second biggest public Ad Tech company behind CRTO, but also owns the largest revenue multiple of 8.2x

MarTech – Q3 2016 Stocks Performance








➤ MarTech Rebounds

- While the NASDAQ recorded record highs, MarTech stocks on average grew by over 30% in value in Q3,
- The sector declined however, weighed down by the sharp fall of CRM

➤ Highlights

- BV, HUBS, LPSN and SHOP each gained over 30%, while CRM was the lone MarTech stock that slid in the quarter
- SHOP continues to enjoy a fantastic year with its stock jumping nearly 90% this year

Q3 Key Startup Financings to Watch

	Lead Investor	Capital Raised	Valuation	Comments
	WELLINGTON MANAGEMENT®	\$70M	N/A	Multi-channel network Defy Media produces video content that generates over 800 million views and reaches 125 million users every month.
NEXTVR		\$80M	\$800M	NextVR, a VR platform focused on live content, is building its distribution around the world with the backing of some of Asia's largest companies.
OfferUp	WARBURG PINCUS	\$118M	\$1.0B	Local marketplace OfferUp, which lets users buy or sell anything from shoes to cars, is on track to process \$14 billion of sales on its platform this year.
REFINERY29	Turner	\$45M	\$500M	Fashion media company Refinery29 has raised more capital as it continues working towards reaching audiences on television in addition to the web.
	GREYCROFT	\$55M	N/A	Scopely, a gaming studio that also provides monetization tools to other developers, has seen its revenue grow by over 500% in the past 18 months.
sprinklr®	TEMASEK	\$105M	\$1.8B	Sprinklr, a social marketing company, is one of the fastest growing SaaS companies in the world after surpassing \$100M in annual revenue last year.
		\$181M	\$1.5B	Unity, one of the leading game engine platforms, has raised capital to continue building technology for virtual and augmented reality experiences.

LUMA's Recent Content



LUMA Digital Brief 010 Power to the People

- “Power to the People” discusses how and why the industry is moving towards people-based marketing



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

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 Recent Deals

July 2016

TinyCoTM

has been acquired by



*The undersigned acted as exclusive
financial advisor to TinyCo, Inc.*



Pending



has been acquired by



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



LUMA's Differentiated Value Proposition



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)



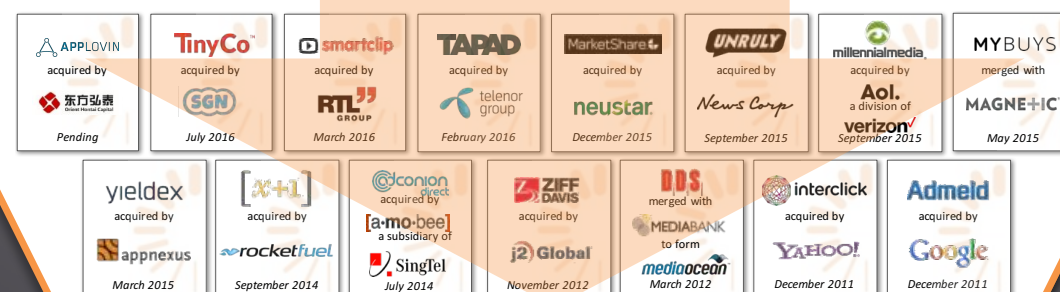
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