



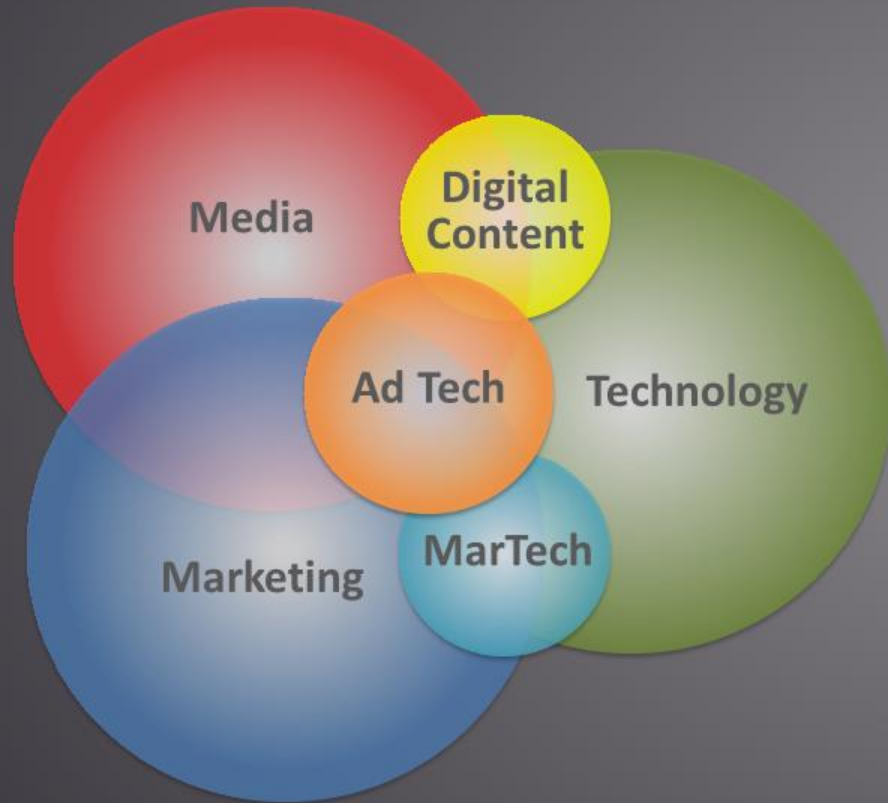
Digital Brief 022

Q4 2018 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					1	2	3							1
7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8
14	15	16	17	18	19	20	11	12	13	14	15	16	17	9	10	11	12	13	14	15
21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22
28	29	30	31				25	26	27	28	29	30		23	24	25	26	27	28	29
														30	31					

LUMA presents our year-end 2018 Market Report, which covers our research and views on the year's ongoing trends, most important deals, public market performance, and companies to look out for, with a specific focus on advertising technology, marketing technology, and digital content.

LUMA's Singular Focus on Media & Marketing Tech



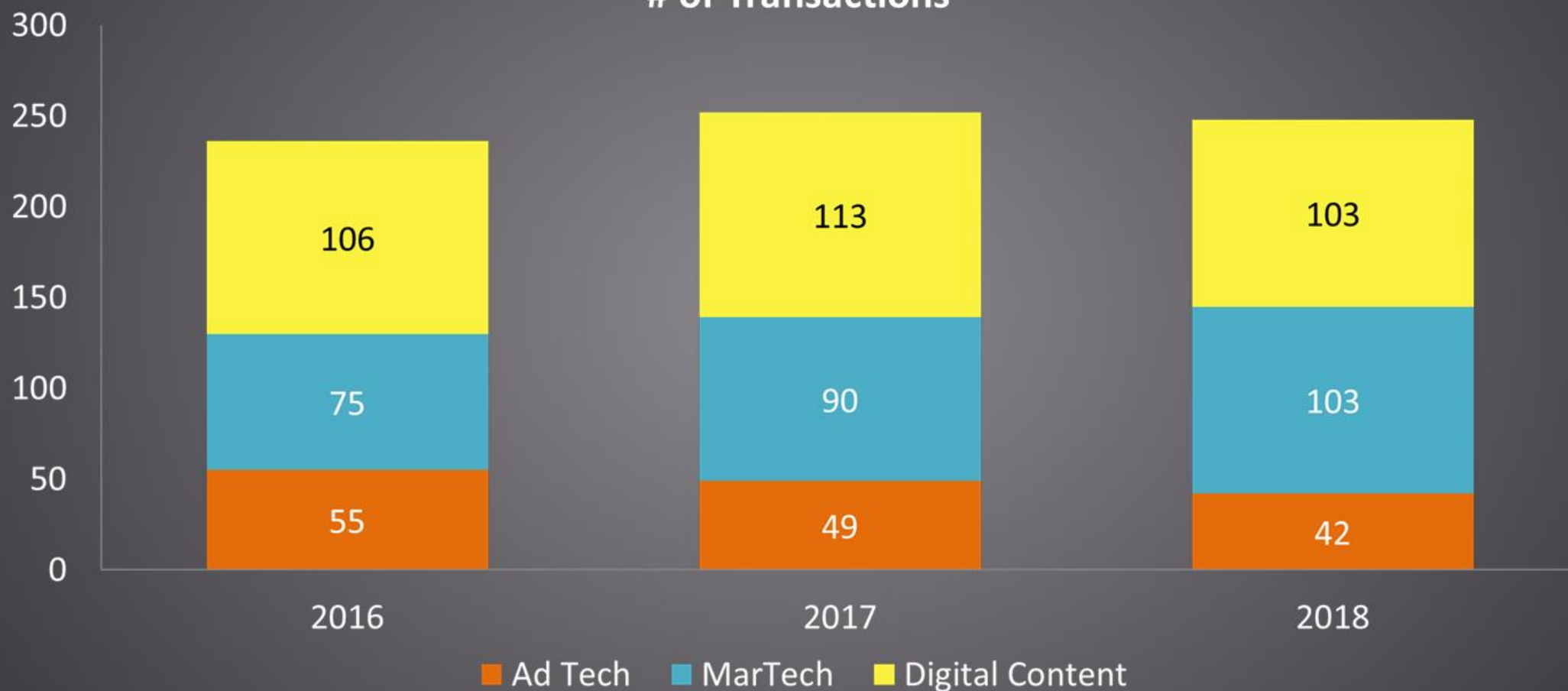
- LUMA's expertise is at the intersection of Media, Marketing and Technology
- At this intersection exists:
 - **Digital Content**
 - **Ad Tech**
 - **MarTech**
- These companies employ a variety of business models including services, media, data, commerce and software

Market Analysis & Trends



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

of Transactions



We saw year-over-year deal count decline between 2017 and 2018. However, while the total number of deals were down, the size of deals were much larger. Between Ad Tech and MarTech, there were seven deals over \$1 billion in 2018, compared to zero in 2017.

Marketing Clouds, MVPDs, and PE companies were the most prominent buyers this year, as Adobe, Oracle, Salesforce, AT&T, Vista Equity, and GTCR all made \$850M+ acquisitions.

2018 Analysis: 10-Year Money In/Money Out

Ad Tech



MarTech



A few months ago, we released a report looking at investment and returns in Ad Tech over a 10-year period (2008-2018), which we appropriately titled “Problematic I/O.” Soon after, we decided to conduct the same analysis for the MarTech industry, which showed a very different story – “Success in SaaS.” The following two pages highlight the key points coming out of each of these analyses.

Key Ad Tech Takeaways

(\$ in billions)

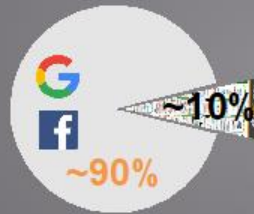


Money In



\$15.3B Invested across 1,200 companies

Ad spend growing, but the Duopoly is taking all the growth, limiting investment interest



Aged Funding Outstanding



>25% of outstanding funding over 7 years old

Money Out



Public markets have not been kind to Ad Tech (besides TTD)

M&A remains the primary source of exits

1,900 Deals
72 over \$100MM

Limited seats for scaled exits



The theoretical list of buyers is shrinking

Over the last 10 years, there has been significant investment into Ad Tech, ~\$15B in total, as investors sought to benefit from the growth in digital advertising. While digital advertising has grown considerably, a \$100B+ market today, it accrued to a few (primarily Google and Facebook) rather than the masses. As a result, scaled exit opportunities have been limited, leaving a significant amount of aged funding still outstanding. With public markets continuing to be a challenge for Ad Tech and a seemingly shrinking set of buyers, the future looks bleak for undifferentiated Ad Tech companies.

Key MarTech Takeaways

(\$ in billions)



Money In



\$23.9B Invested across 1,900+ companies

SaaS revenue and strong margins continue to attract investors



Aged Funding Outstanding



<9% of outstanding funding over 7 years old

Money Out



Public markets have generally been favorable to MarTech

M&A remains the primary source of exits

1,750 Deals
128 over \$100MM





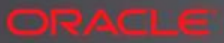

























The theoretical list of buyers expanding as PE gains steam

On the other side of the coin is MarTech, whose recent past and future both look promising. MarTech companies also raised a significant amount of funding over the last 10 years, ~\$24 billion in total, as SaaS started taking over the marketing world. Unlike Ad Tech, MarTech funding has continued to grow, as investors have seen healthy returns from both the public markets and M&A. Companies like Shopify and Twilio have performed exceedingly well in the public markets and we've witnessed a multitude of strategic exits, including 29 deals over \$1 billion. We expect this to continue as new buyers continue to take interest in the category. Most recently, Private Equity has jumped into the scene, quickly becoming the most active set of buyers.



2018: Active M&A Market in MarTech & Ad Tech

	→		\$1,050M		→		\$850M
	→		\$325M		→		\$600M
	→		\$270M		→		NA
	→		\$1,680M		→		\$1,165M
	→		\$850M		→		\$4,750M
	→		\$1,600M		→		\$2,000M
	→		\$2,300M		→		\$8,000M

As mentioned on the prior pages, MarTech remains the leader in large, strategic exits. This year was no different, as MarTech saw six M&A deals over \$1 billion in 2018! Ad Tech also saw a few strong M&A exits, with the largest being AT&T's acquisition of AppNexus for \$1.6 billion.

Take Privates All the Rage



bazaarvoice

➤ **\$14.7B** total value

GTCR



CommerceHub

➤ **2.5x** EV / LTM Revenue

ENDEAVOR



NeuLion

➤ **23.7x** EV / LTM EBITDA

FP
FRANCISCO
PARTNERS



Verifone

SIRIS
CORPORATE INVESTMENTS



web.com

THL
PARTNERS



dun & bradstreet
GROWING RELATIONSHIPS THROUGH DATA

PERMIRA



xo group











Alongside the increase in scaled M&A exits, we also saw changes in the type of M&A that was being done in 2018. Notably, take privates became more popular last year, as we saw 7 companies taken private across marketing, advertising, and digital content. These were done for a total deal value of ~\$15B. More importantly, these deals had robust valuations, particularly for Private Equity, averaging almost 24x EBITDA.

The New PE Playbook: Strategic vs. Financial

Financial Rationale

Strategic Rationale

	 	 	 	 	 	 	 	 
EV / LTM Revenue	1.8x	2.5x	3.8x	NA	NA	NA	7.5x	9.5x
EV / LTM EBITDA	14.6x	12.7x	12.4x	NA	NA	NA	NM	23.2x
Deal Value	\$3,292M	\$1,864M	\$6,880M	\$300M	\$1,100M	\$850M	\$1,800M	\$1,050M

Source: Pitchbook; Public Company Filings; Company Announcements



This is part of a new Private Equity paradigm. Rather than limiting themselves to investments based on pure financials, PE buyers are now willing to pay up for assets where they see strategic value. This is leading to PE winning deals at valuations typically reserved for strategic buyers (high multiples of revenue and +20x EBITDA). We view this willingness to bid up as a vote of confidence in the growth opportunity for MarTech and potential for large scale public offerings and/or outsized strategic exits.

Strategic PE Investment Case Study: Marketo

2016



2018



Deal Value:	\$1,800M
Premium:	64%
EV/LTM Revenue:	7.5x

LTM Revenue:	\$241M
LTM Revenue Growth:	35%
LTM EBITDA:	(\$50M)

Deal Value:	\$4,750M
Premium:	NA
EV/2017 Revenue:	14.8x

Strong revenue growth

Profitable



Vista Equity Partners

3.1x MoM

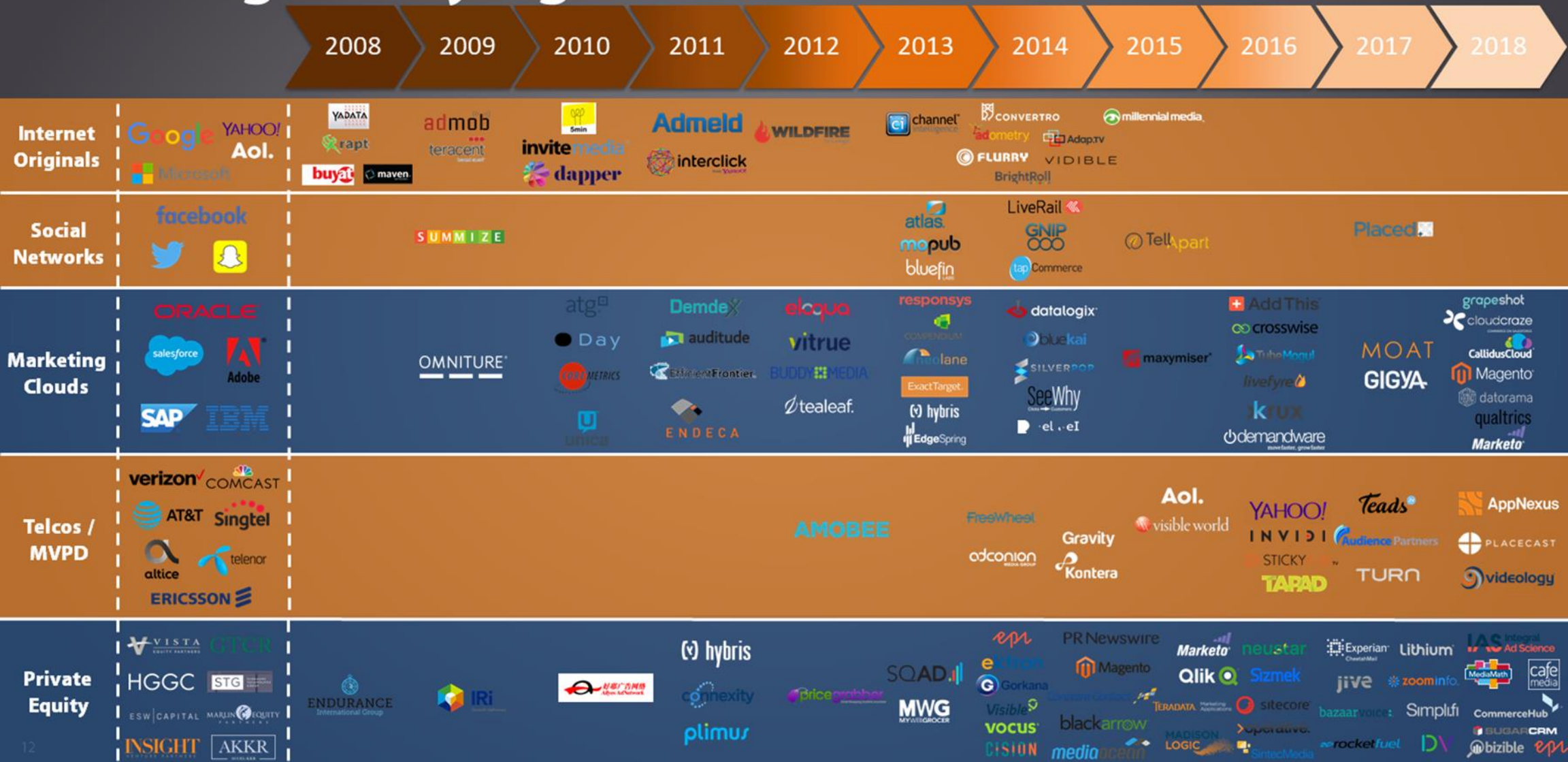
71% IRR
(25 months)

Source: Pitchbook; Adobe Company Filings; *Reuters – Vista Equity backed 2016 buyout with \$375M term loan

A guess as to what's inspiring this activity: Look at Marketo. In 2016, Vista Equity Partners paid almost 8x revenue, outbidding strategic parties, to de-list the marketing automation company. What confounded the market as a sizable bet in a loss-making company became an enormous exit for Vista. Vista implemented their operational playbook, moving the company into profitability and we've heard perhaps spurring growth. Just two years later, Adobe stepped in to pay nearly \$5B – or 15x revenue – to acquire Marketo, generating a 71% IRR for Vista.



Strategics Buying in Ad Tech & MarTech



For Ad Tech and MarTech, the list of buyers has diverged. For Ad Tech, the set of potential buyers that used to include Internet Originals, Social Networks, and Telcos has withered. The top two categories have either acquired what they need or been consolidated themselves. Telcos, while still active, have been burned by some of their larger investments (i.e. Oath), leaving a limited set of buyers for the aging Ad Tech assets.

On the flip side, MarTech's list of buyers remains the Marketing Clouds and increasingly, competitive interest from Private Equity companies. Exit dynamics remain strong for the category as it reaches natural maturity.

Recent MarTech Exits Driving Robust Deal Pipeline



IRi
Growth delivered.

qualtrics

Marketo

IAS Integral
Ad Science

datorama

acxiom.
MARKETING SERVICES

Magento

MOAT

MERKLE

Total Deal Value
\$20B
Average Revenue Multiple
13x



nielsen

EPSILON

KANTAR

mediaocean

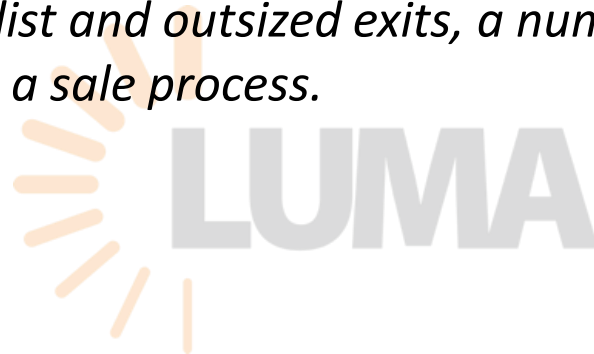
UNDISCLOSED

UNDISCLOSED

Every VC
Backed
Startup



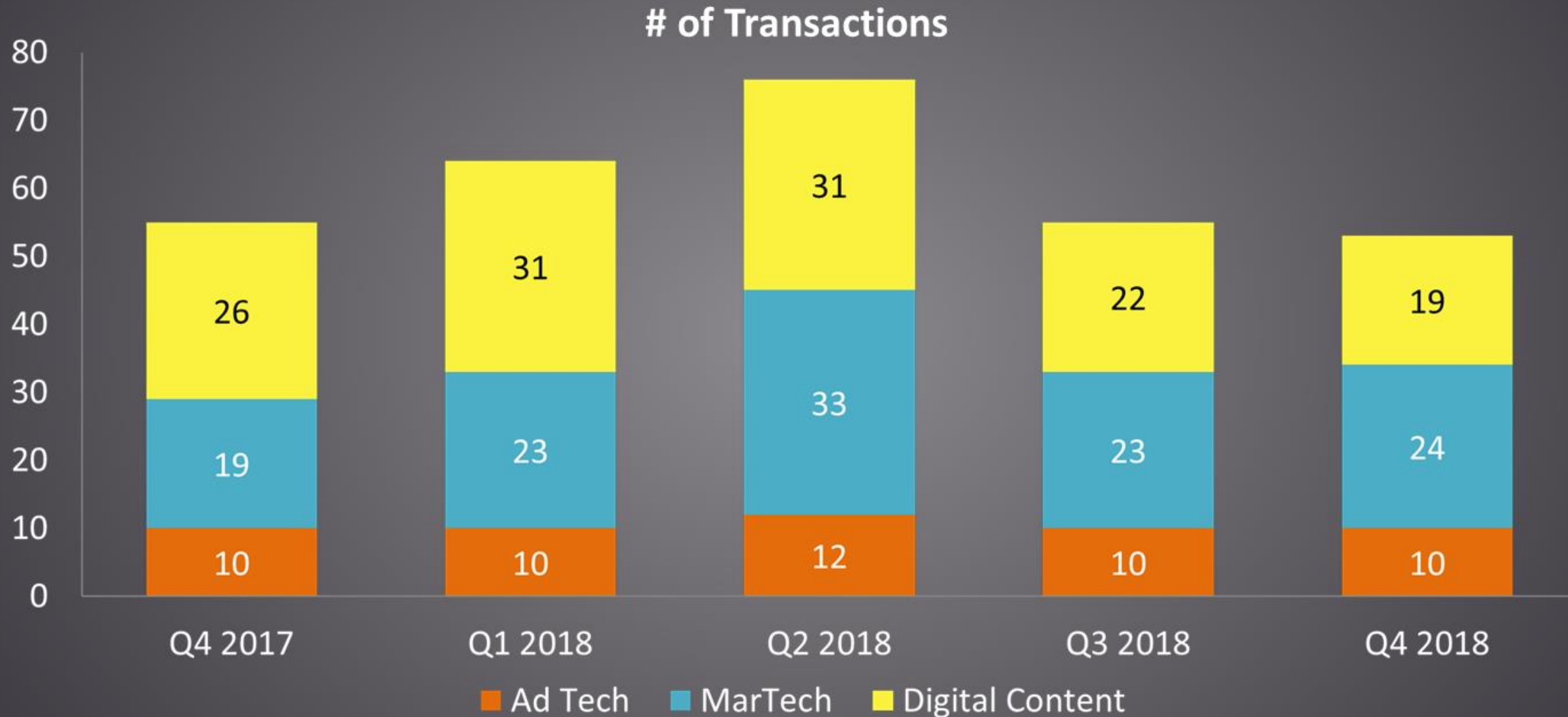
As a result to this expanding buyers list and outsized exits, a number of scaled MarTech companies are either currently in market or mulling a sale process.



2018 Detailed Market Data



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

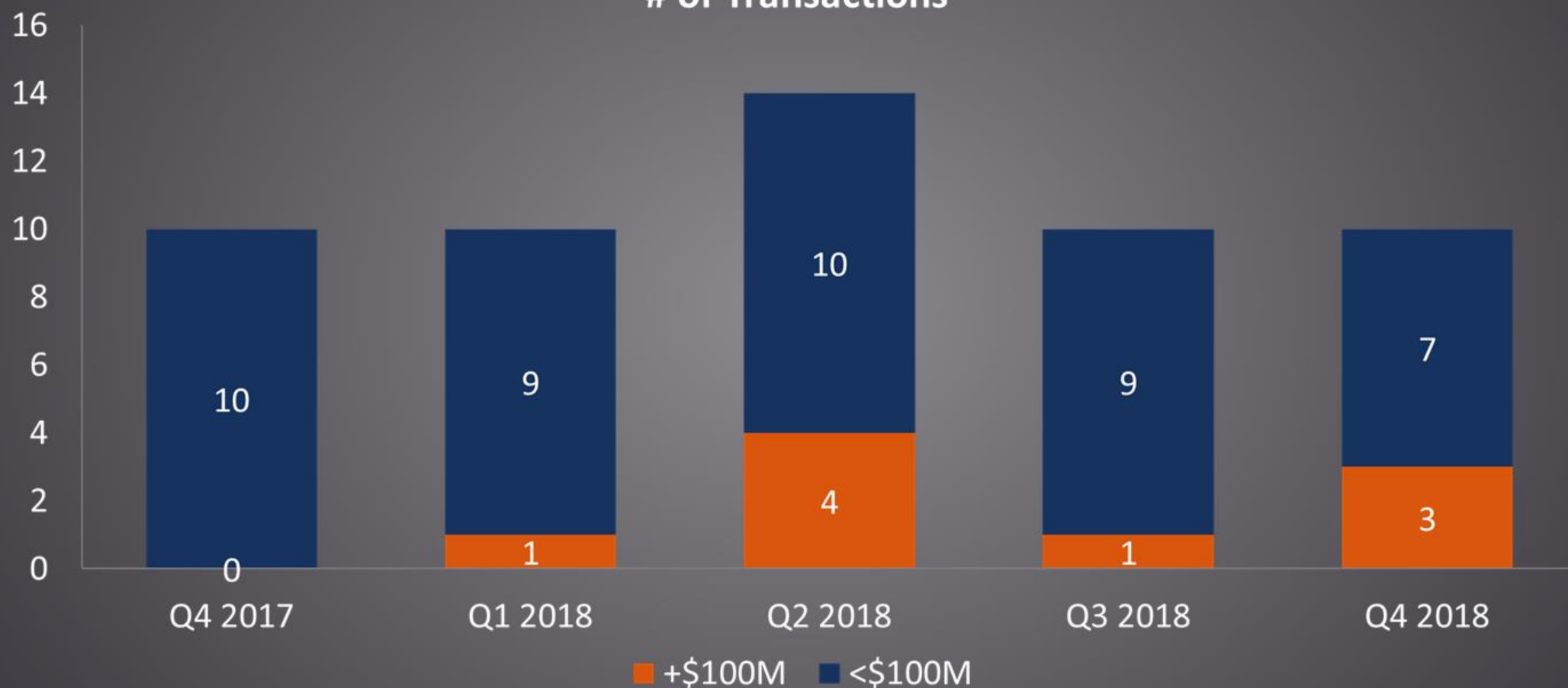


15 Source: LUMA

- Despite decline in total deals, year-over-year deal value nearly doubled between Q4 2017 and Q4 2018, as Q4 saw over \$12B in transactions
- MarTech companies made up the largest portion of deals – and the largest deals – in 2018, accounting for over \$10B in Q4 alone
- Ad Tech companies remain the laggard behind Digital Content and MarTech companies, as only 42 deals were made this year, compared to 2017's 49

Ad Tech M&A Activity

of Transactions



Observations:

- 2018 was another slow year for Ad Tech, as lack of scale and differentiation among VC funded companies makes it difficult to find strategic outcomes
- The largest exit this year came for one of Ad Tech's leaders, AppNexus, as it was acquired by AT&T for \$1.6B
- Digital audio also came on the scene, with three scaled exits, as AdsWizz, Triton Digital, and Jelli all realized strategic outcomes

Looking Ahead: We expect a decline in scaled Ad Tech M&A as a multi-year consolidation continues and fewer differentiated, scaled companies remain independent

Ad Tech –2018 Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		\$2.9M	\$147M	In the first programmatic audio advertising deal, Pandora acquires a leading platform with DSP, SSP, and ad serving capabilities
		\$2M	\$90M	By acquiring the inventory and audience monetization tech platform, InMobi enhances monetization capabilities for US publishers
		\$344M	\$1,600M	With its third \$1B+ acquisition over the last three years, AT&T plants its flag as a competitor to the duopoly
		\$45M	NA	The third scaled programmatic audio deal in 2018 came as the programmatic OTA audio platform, Jelli, is picked up by iHeart as it undergoes bankruptcy
		\$3.5M	NA	AppLovin acquires in-app header bidding innovator MAX following its \$400M debt financing from KKR
		\$2.9M	\$150M	In Sir Martin Sorell's S4 Capital's second agency acquisition, it acquires the Walled Garden programmatic agency and its \$25M in revenues
		NA	\$150M	Scripps takes its place at the programmatic audio table with the acquisition of the digital audio infrastructure and measurement company, Triton
		\$233M	\$119M	Amobee wins the bankruptcy auction for Videology and expands its Convergent TV capabilities

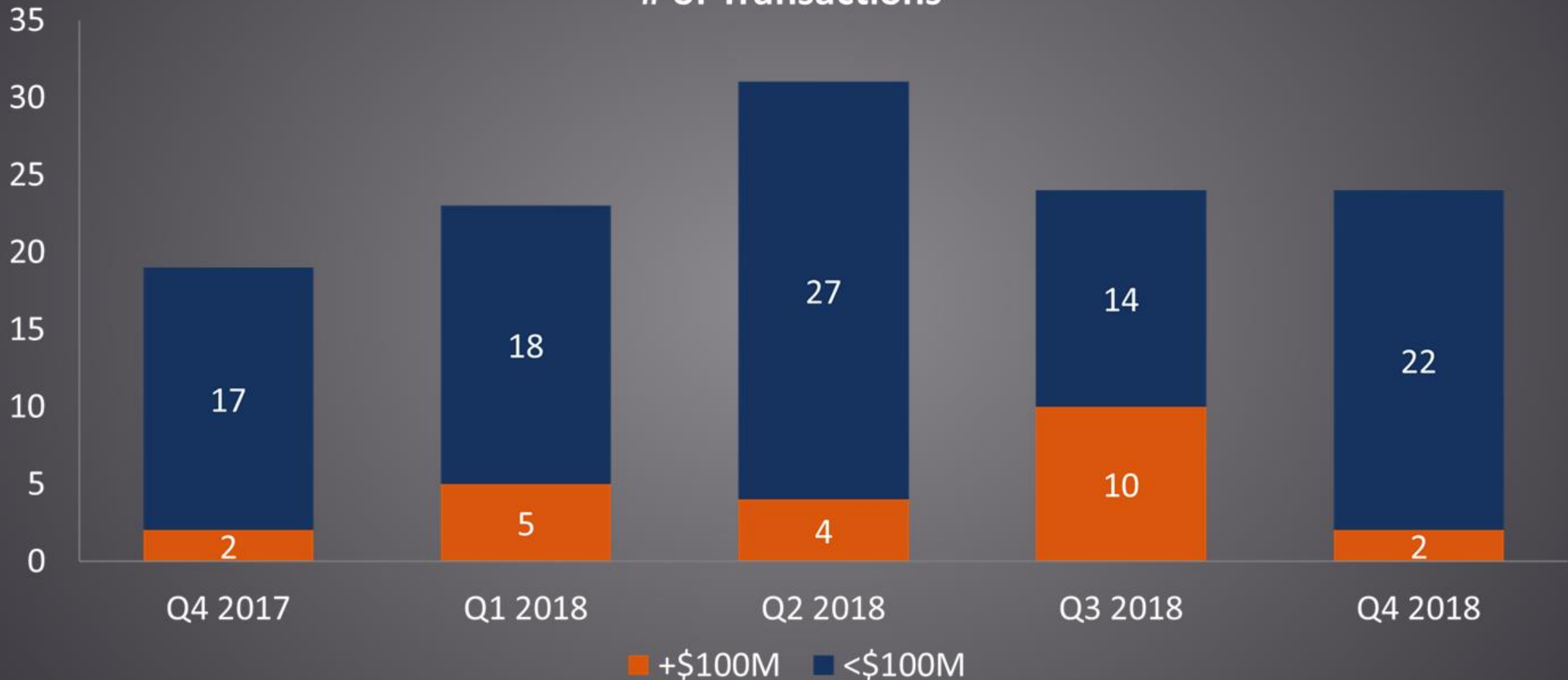


17 Source: Pitchbook; Crunchbase; AdExchanger; The Wall Street Journal; Tech Crunch



MarTech M&A Activity

of Transactions



Observations:

- If 3Q18 was the “Summer of Data”, 2018 was the “Year of MarTech” as 21 companies realized \$100M+ exits
- This year witnessed multiple \$1B+ outcomes for MarTech companies, notably: Marketo, Magento, SendGrid, Qualtrics, and Episerver

Looking Ahead – Most Active Buyers:

- Marketing Clouds continue to battle it out for market leadership, as Adobe, Oracle and Salesforce continue to buy vs. build
- PE companies have proven to be major bidders for these companies, with some even willing to pay to strategic multiples

MarTech – 2018 Notable Deals

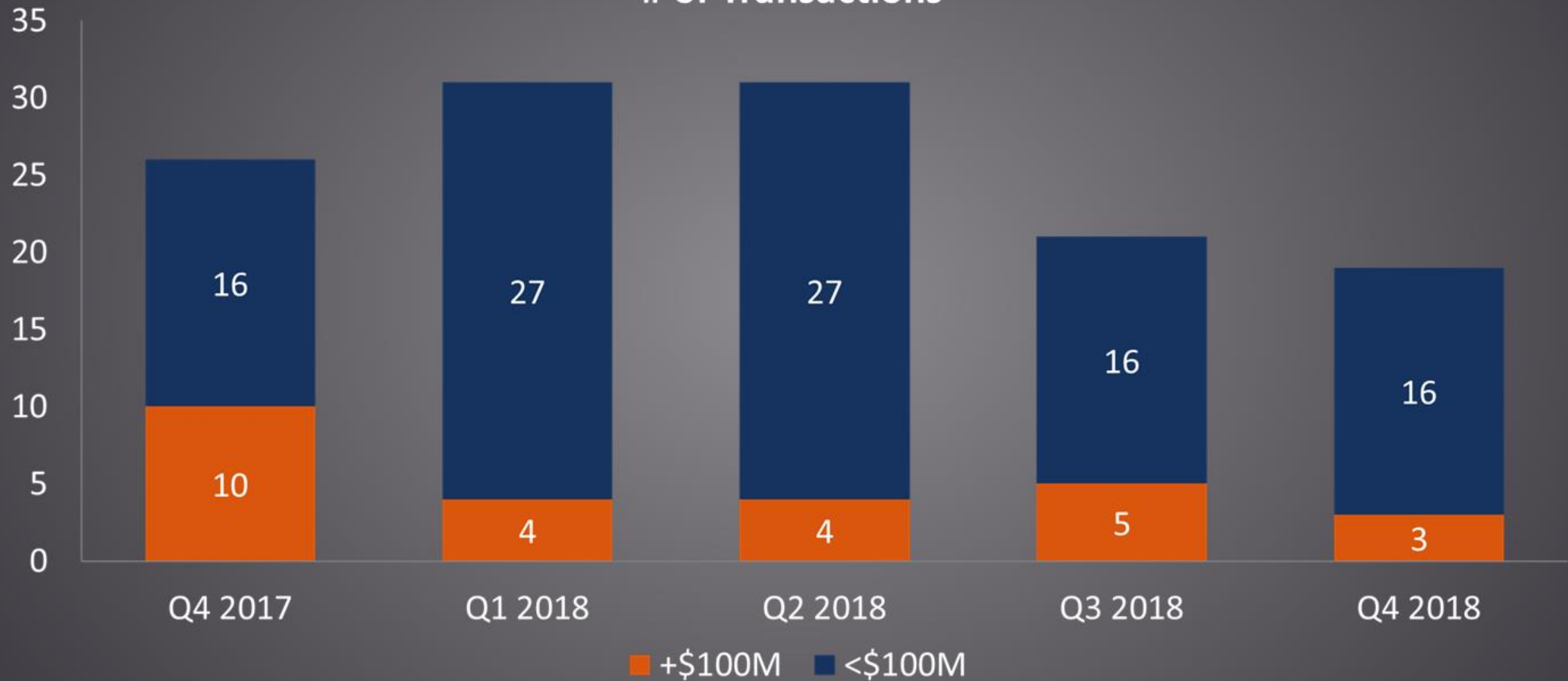
	Acquirer	Capital Raised	Enterprise Value	Comments
		NA	\$2,300M	IPG makes a big push into data-driven marketing with the acquisition of Acxiom Marketing Services, the managed service arm of Acxiom, spun out of the new LiveRamp
		\$51M	\$850M	Salesforce gains enhanced data intelligence and integration across all touchpoints, with the addition of Datorama to its marketing cloud
		NA	\$1,250M	With Insight's large stake in the, "global digital transformation" market, it gets the merged entity of EPIserver and Ekton sponsored by Accel-KKR in 2015
		\$10M	\$325M	Oracle gets ahead of GDPR in its acquisition of UK-based brand-safety technology provider, Grapeshot, as well as bolstering its Data Cloud on top of Moat
		\$81M	\$850M	Vista's acquisition of IAS marked the third exit of the three scaled ad tech verification companies, following the acquisitions of Moat and DoubleVerify the year prior
		\$250M	\$1,700M	In an effort to compete with Salesforce, Adobe acquires Magento for its B2C and B2B e-commerce capabilities, enabling Adobe to "close the loop" with consumers
		NA	\$4,800M	In Adobe's largest acquisition ever, it gets the previously Vista-owned marketing automation company, Marketo, and fills an important gap in the Experience Cloud
		\$400M	\$8,000M	In the largest software acquisition ever, SAP acquires Qualtrics ahead of the company's planned IPO to combine and leverage operational and experience data for customers
		NA	\$2,000M	Just a year after its IPO, the email API provider, SendGrid, is picked up by Twilio with the hopes of building the leading developer focused communications platform
		\$55M	\$600M	The first exit out of the CDP space, Treasure Data was acquired by existing backer, SoftBank's ARM. This deal signals deals to come for the other scaled, independent CDPs

19 Source: Pitchbook; Crunchbase; AdExchanger; The Wall Street Journal; Tech Crunch



Digital Content M&A Activity

of Transactions



Observations:

- Q4 2018 saw a sharp decline in sizable digital content deal-making, as only Glint, SiriusDecisions, and Time Inc traded for over \$100M
- The consolidation of digital media continues to be a tale of two cities, as we've seen both scaled exits (i.e. Pandora / SiriusXM for \$3.5B), as well as once high-fliers trading for nearly nothing (i.e. Mic / Bustle for \$5M)

Looking Ahead – Over-funding Windfall:

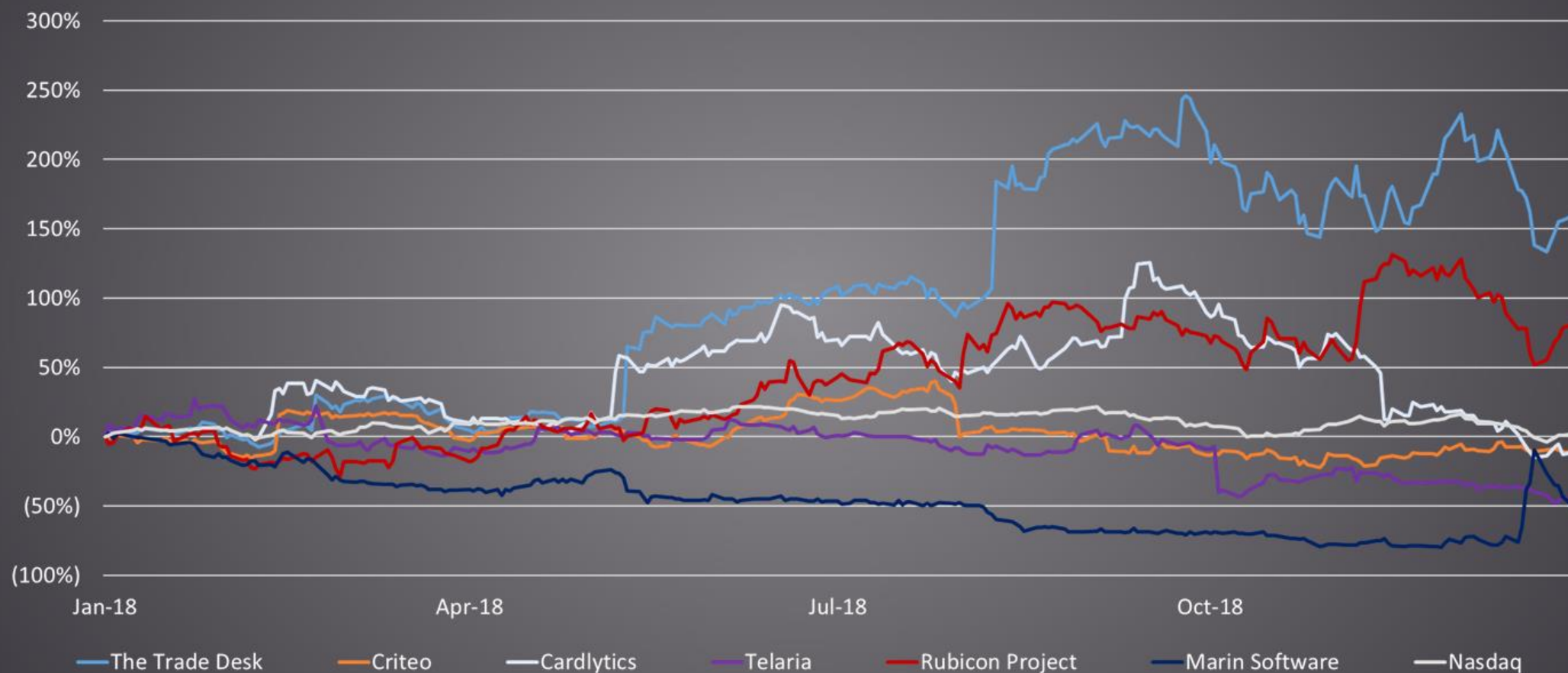
- We expect this trend of digital-first pubs trading at low multiples to continue due to challenged monetization of audiences

Digital Content – 2018 Notable Deals

	Acquirer	Capital Raised	Enterprise Value	Comments
		\$32M	\$253M	The media-focused PE company acquires the parent of Café Media and its network of blog properties and commits to digital pub monetization
FORTUNE	Chatchaval Jiaravanon	NA	\$150M	Once a founding brand of Time Inc., Fortune magazine is the next publisher acquired by a billionaire, this time Thai businessman Chatchaval Jiaravnon
GLINT	 Microsoft	\$80M	\$400M	LinkedIn snatches up Glint to combine LinkedIn's insights into the larger workforce with Glint's internal view into employee engagement and skills
	 	\$3.6M	\$127M	Bruin backed Deltratre acquires UK-based OTT UX service provider Massive Interactive to help media companies build & operate OTT platforms
		\$500M	\$1,000M	AT&T buys out the remainder of its JV with the Chernin Group in an effort to expand its digital video content portfolio
		NA	\$3,500M	This multi-billion dollar merger creates an audio entertainment company with the scale and technology to rival Spotify
		\$179M	\$133M	UK publisher Future expands into the US by acquiring digital content and technology provider Purch
QUARTZ		NA	\$110M	The Atlantic Media property is divested to Japanese entrepreneurs looking to expand their global newsroom footprint and boost subscription revenues
	Marc & Lynn Benioff	NA	\$190M	Marc Benioff's newest project is Time Magazine, the 100+ year old American magazine, which he plans to save with millions of his own dollars



Ad Tech – 2018 Stocks Performance



22 Market Data as of 12/31/2018



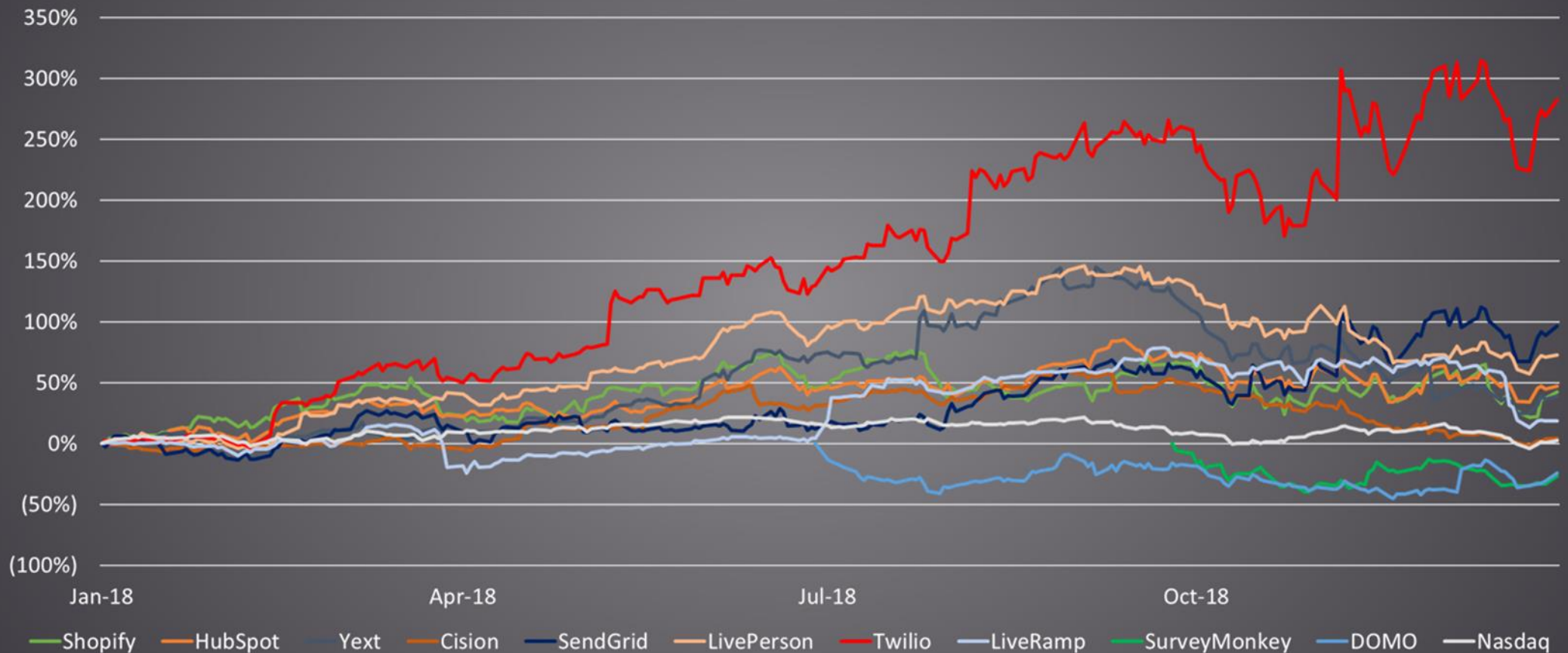
Observations:

- Ad Tech remains a poor performer in the public markets, as total market value has declined ~10% this year when excluding The Trade Desk

Highlights:

- The Trade Desk is, without a doubt, the clear winner in the space, as market value rose as high as \$6.4B (or 232%) this year.
- The Rubicon Project has been a surprise success in 2018, increasing market value over 80%

MarTech – 2018 Stocks Performance



23 Market Data as of 12/31/2018

Observations:

- MarTech had an incredibly strong year, with all non-IPO stocks rising and the sector increasing nearly 50%

Highlights:

- SurveyMonkey and DOMO IPO'd this year, popping 44% and 30%, respectively, on their first day trading. However, with significant market volatility and an overall tech sell-off both companies have come down over 25% from those highs
- Twilio was the biggest winner this year, as their market value has sky-rocketed 282% alongside the announced merger with SendGrid

2018 Key Startup Financings to Watch

	Lead Investor	Capital Raised	Valuation	Comments
 Amplitude	SEQUOIA 	\$80M	\$850M	Amplitude more than doubled its valuation and now serves more than 600 corporate and enterprise customers – it will use the \$80M to scale global operations and build out its solution-set
 APPLOVIN	KKR	\$400M	\$2,000M	AppLovin raised its valuation to \$2B and currently reaches over 300M DAUs and drives over 1B downloads for gaming companies per year
 bouncex	BV 	\$37M	NA	BounceX, a people-based marketing cloud, raised more capital in this growth round to accelerate its expansion in the U.S. and the U.K.
 braze	MERITECH	\$80M	\$850M	Braze more than doubled its valuation to \$850M and currently delivers tens of billions of messages to over 1.5B MAUs globally
 cuebiq	Goldman, Nasdaq, DRW, Tribeca Ventures	\$33M	NA	Cuebiq, growing a reported 3x from a revenue perspective, raised \$33M to fund expansion, development, and advancement of key data privacy initiatives
 Dynamic Signal	Adams Street Partners, Akkadian Ventures, Cisco Investments	\$47M	\$300M	Company communications & engagement platform Dynamic Signal raised nearly \$50M to fund platform development, deeper integrations with third-parties, and pursuit of an aggressive hiring plan
 factual.	upfront 	\$42M	NA	Location data platform Factual raised \$42M and will use this latest round to accelerate growth and international expansion
 fubo TV	21 st Century Fox, Scripps Networks Interactive, AMC Networks	\$75M	NA	Sports streaming service FuboTV has raised more capital from a variety of media companies including AMC, Fox, and Sky to grow its offerings
 iSpot.tv	INSIGHT 	\$30M	\$355M	TV measurement and analytics company, iSpot.tv, brings its total funding to over \$55M as it looks to expand its team of 155 to 200+ in 2019
 MediaMath	SEARCHLIGHT 	\$225M	\$1,000M	MediaMath, which is now valued at over \$1B, will use this funding to make select acquisitions and develop new product offerings
 PEBBLE POST	AVP	\$31M	\$124M	Programmatic direct mail company PebblePost raises \$31M to fund efforts expanding partnerships and entering new verticals
 narvar	Accel	\$30M	\$345M	With \$30M of fresh-funding, the retail technology provider will invest in development of e-commerce software as retailer clients pursue improved consumer online experience
 singular	NORWEST  VENTURE PARTNERS	\$30M	NA	Marketing intelligence platform Singular raised \$30M geared towards accelerating product development and innovation
 SOJERN	TCV	\$120M	\$300M	Sojern, a marketing technology and data company, plans to use its \$120M of TCV money to accelerate development and expand capabilities for Fortune 500 travel co's

24 Source: Crunchbase, Pitchbook. Includes only US-based companies who raised \$30M+ in 2018



LUMA's Differentiated Value Proposition



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



LUMA's Content-Driven, Expert-Based Approach



LUMAscapes
(over 7 million views from 211 countries)

Publications
(over 4 million views)

Digital Briefs

Conference Keynotes


Corporate Teach-ins

Completed Deals at Premium Valuations




LUMA's Recent Deals

September 2018



Secondary Offering
\$192,000,000

LUMA Securities, a wholly-owned broker-dealer of LUMA, acted as co-managing underwriter of the Cision Ltd. public secondary offering.




September 2018



has been acquired by



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



September 2018



has been acquired by



The undersigned acted as exclusive financial advisor to Max Advertising Systems, Inc.



August 2018



has been acquired by



a subsidiary of



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



May 2018



has completed a financing led by



The undersigned acted as exclusive financial advisor to Bounce Exchange, Inc.





Investment Banking. Evolved.

New York | Palo Alto

