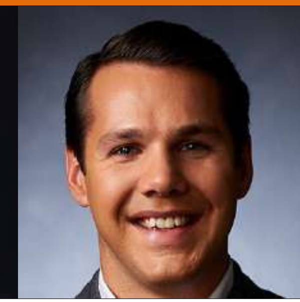
DIGITAL MARKETING SUMMIT
BY LUMA

LUMA presents its annual State of Digital Marketing, which covers our views on the market, industry trends, and the future of the ecosystem with a specific focus on digital marketing. We hope you enjoy it.

Meet the Senior LUMA Team

Terence Kawaja	Brian Andersen	Mark Greenbaum	Dick Filippini	Conor McKenna	Gayle Meyers
					
Founder & CEO	**Partner**	**Partner**	**Partner**	**Vice President**	**Head of Strategic Partnerships**
Terry leads strategy, banking and content for LUMA. *He's also head comedy writer and performer.*	Brian is LUMA's marketing technology guru. *He excels at coaching both little league baseball and big-league clients.*	Mark runs M&A strategy and execution for LUMA. *He's never met a term sheet he couldn't improve.*	Dick leads LUMA's mobile and gaming banking coverage. *You can find him holding court every February in Barcelona.*	Conor manages the execution of both deals and content. *Think of him as the glue that ties it all together.*	Gayle runs LUMA's marketing, events, and partnerships. *Think of her as top of the LUMA funnel.*

Agenda

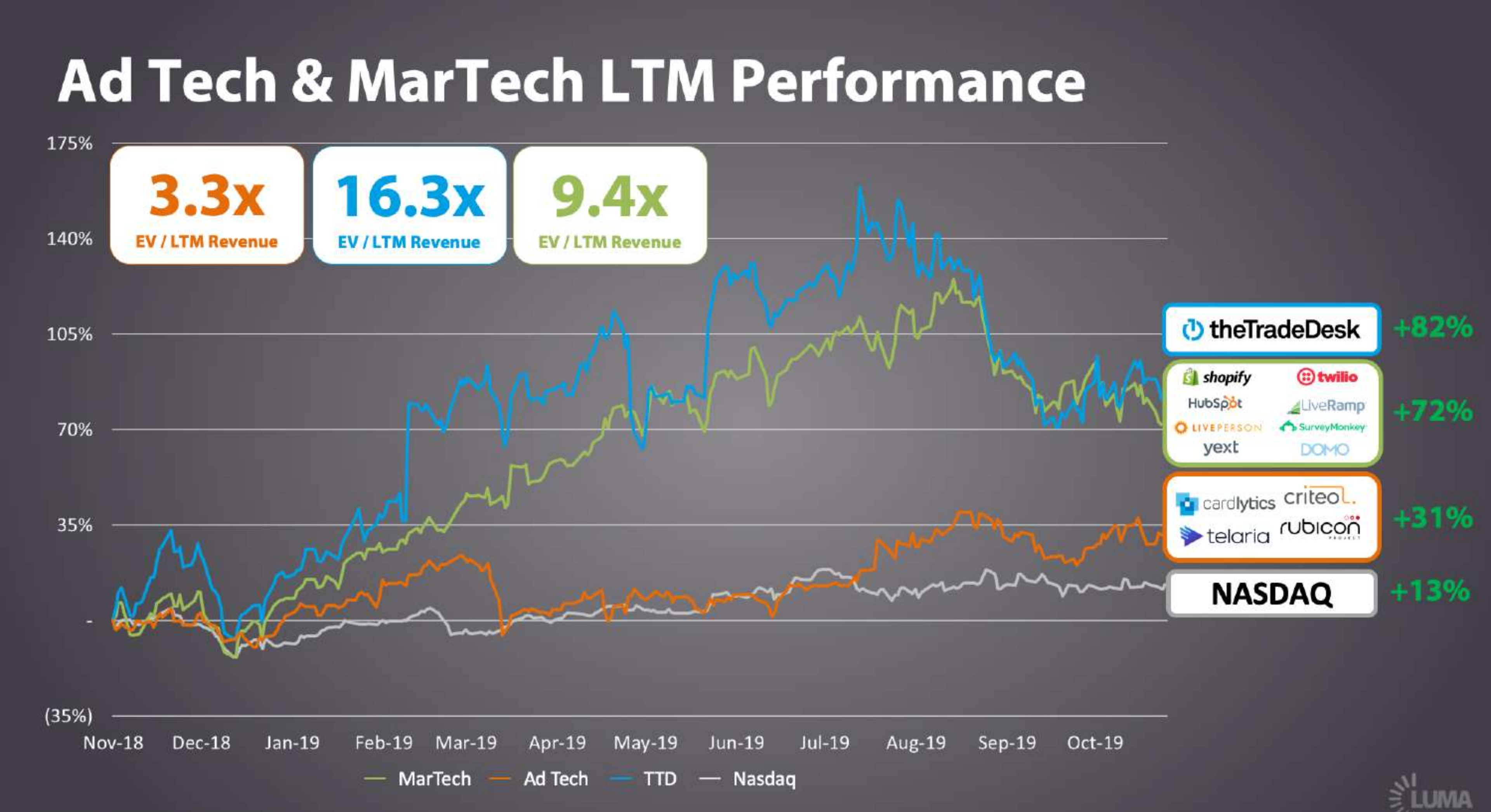
1. Market Update
2. Ecosystem Considerations
3. Value Creation with M&A

1. Market Update

Ad Tech & MarTech LTM Performance

Source: FactSet, Market Data, as of 11/6/2019

It was a solid year overall in the public markets, with the NASDAQ up 13% and trading near all-time highs, similar to the other major U.S. indices. As we dive deeper into our subsectors, MarTech had a very strong year up 72%, mostly on the back of Shopify's continued growth — now supporting over $30B in market cap. Speaking of multi-billion dollar market caps, The Trade Desk was up 82% and even Ad Tech beat the overall index with 31% growth this past year.



Source: FactSet, Market Data, as of 11/6/2019

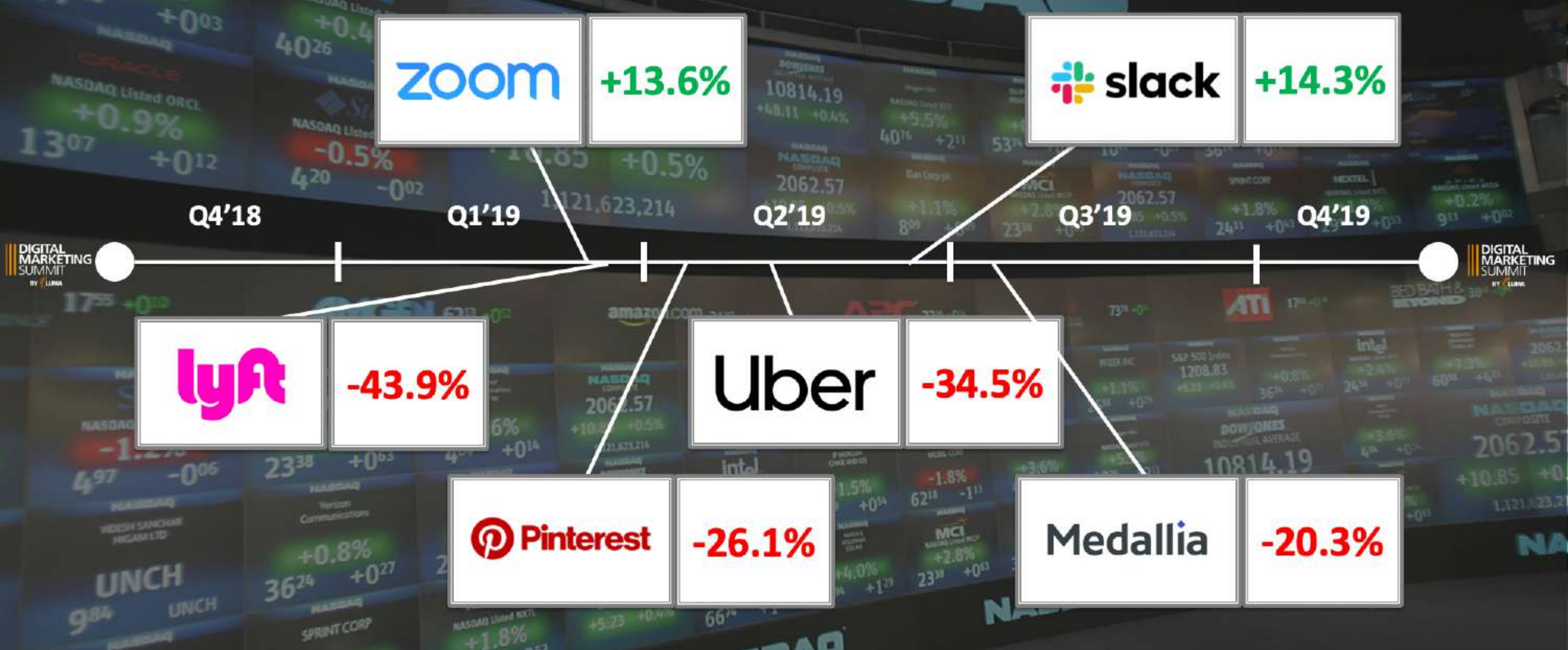
And it wasn't just price performance that was strong; look at the multiples! MarTech at nearly 10x revenue as a category, and the TradeDesk in its own category at 16x. Lastly, with AdTech trading at 3.3x revenue, it's clear the days of Ad Tech trading below 1x multiples are behind us.

Ad Tech & MarTech LTM Performance

Source: FactSet, Market Data, as of 11/6/2019

Cutting Ad Tech one level deeper, if we view the sector excluding the one company with declines (Criteo down 20%), the remaining players were up over 100%, collectively, in the last twelve months, and are currently trading at over 4x revenue.

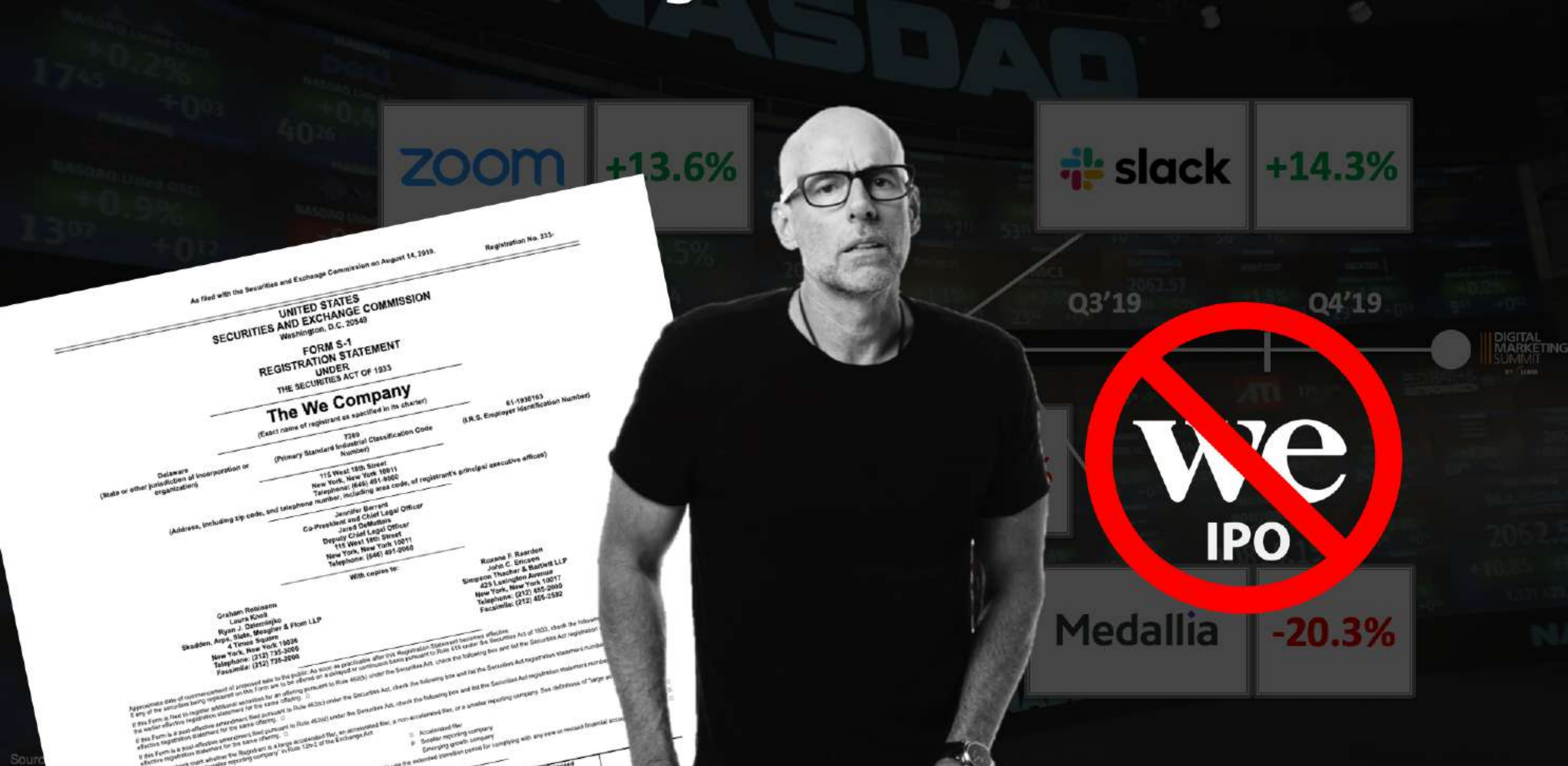
Mixed Results Among the Unicorn IPOs



Source: FactSet (Market data as of 11/6/2019)

Strong price performance and strong multiples usually make for a pretty good IPO market. We spoke last year about the impending unicorn stampede and a number did get out. However, the after-market results have been decidedly mixed. The lofty private valuations have come under scrutiny, with two-thirds of this year's IPOs trading well below where they priced.

Mixed Results Among the Unicorn IPOs



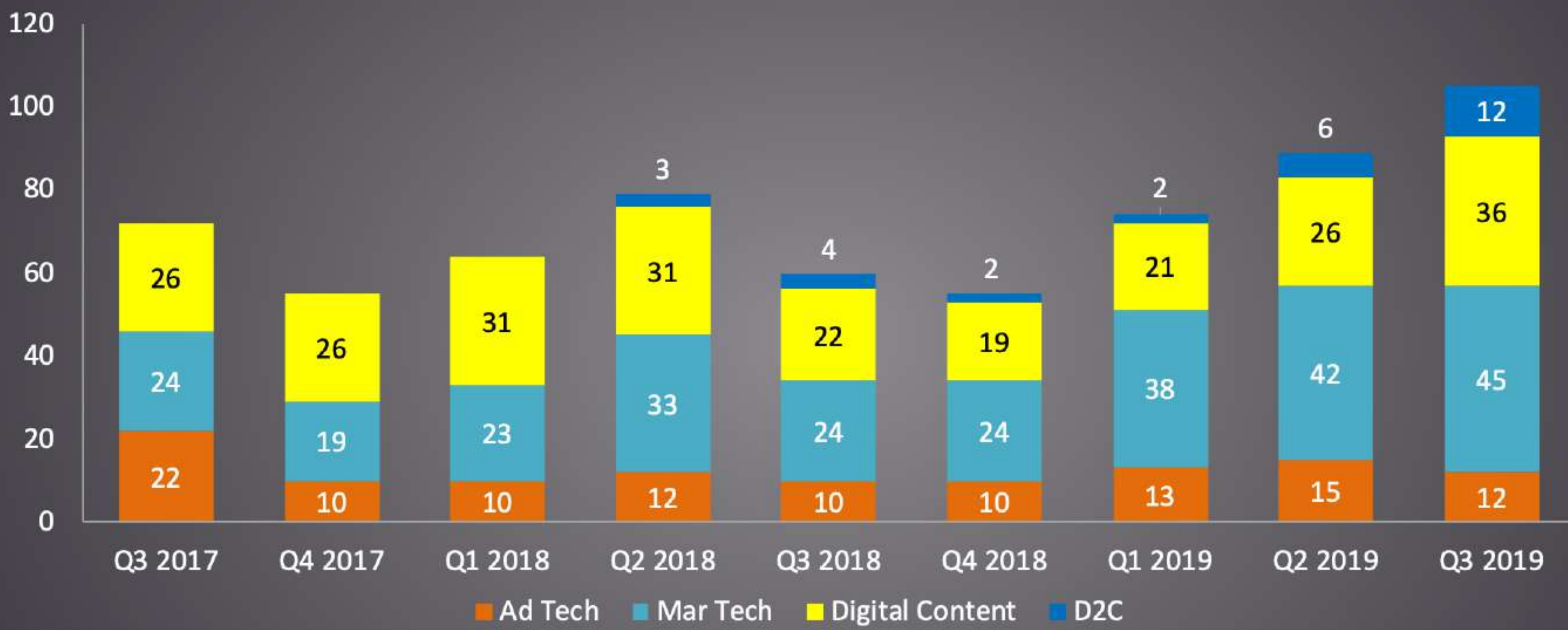
This has caused some companies (ok, one company) to withdraw their prospectus, as WeWork famously canceled their planned IPO. But, as our good friend Scott Galloway vocally pointed out, this likely had less to do with market dynamics and more to do with challenges in their business model.

Current IPO Pipeline

Source: US News, CNBC

What does all this mean for the IPO pipeline? We still see a number of companies queuing up, but we believe this environment of enhanced scrutiny of business models will continue. So those companies with solid fundamentals should be just fine in the public markets – which is really the way it should be.

M&A Remains the Primary Source of Exits



# of Transactions Over $100M								
17	11	10	14	18	9	16	23	15

Source: LUMA

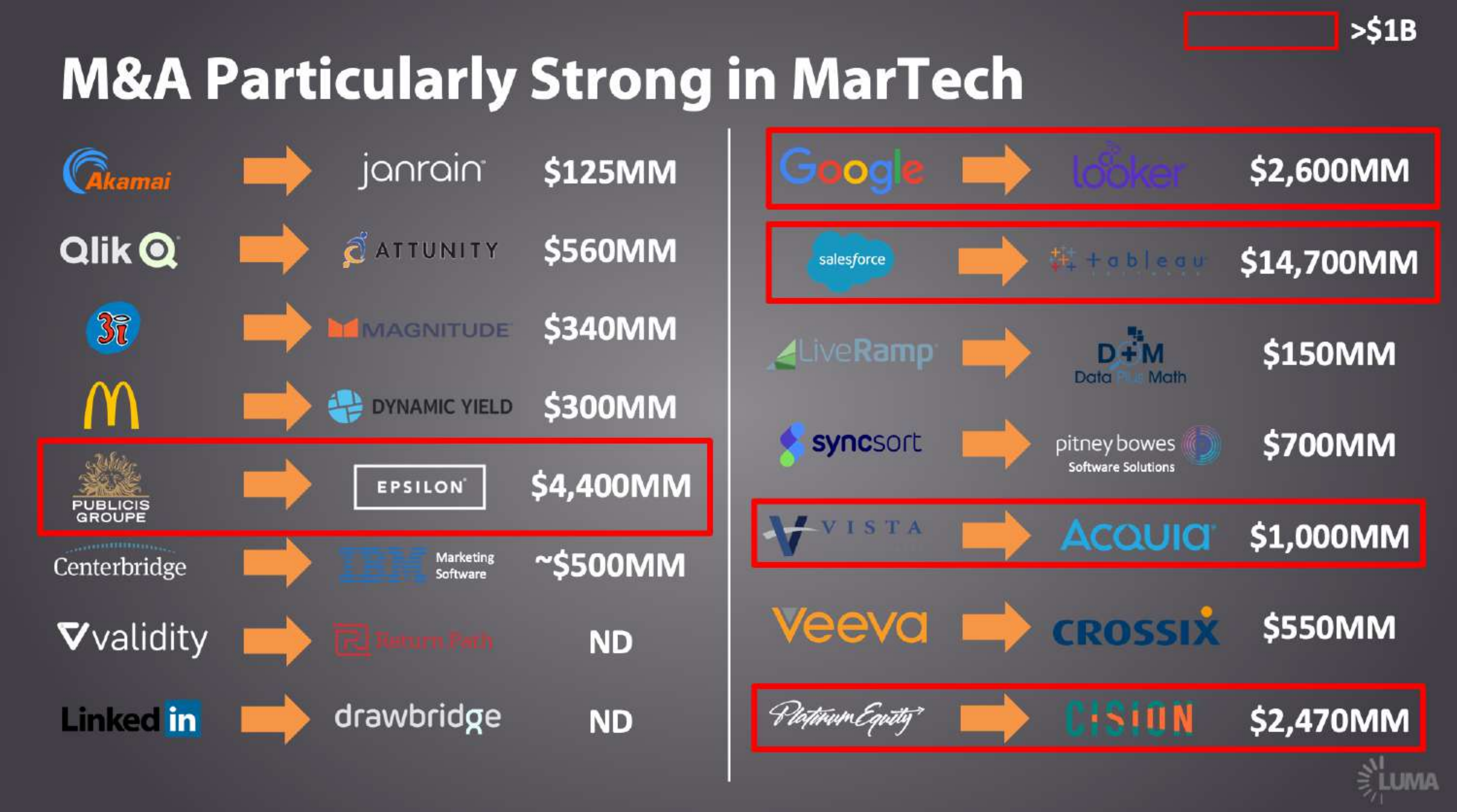
This is all a preamble to our favorite topic, the M&A market – which continues to be the primary source of exits across our coverage sectors. How's this chart for up and to the right? Deal activity has been on a tear for the last four quarters . . .

M&A Remains the Primary Source of Exits

# of Transactions Over $100M								
17	**11**	**10**	**14**	**18**	**9**	**16**	**23**	**15**

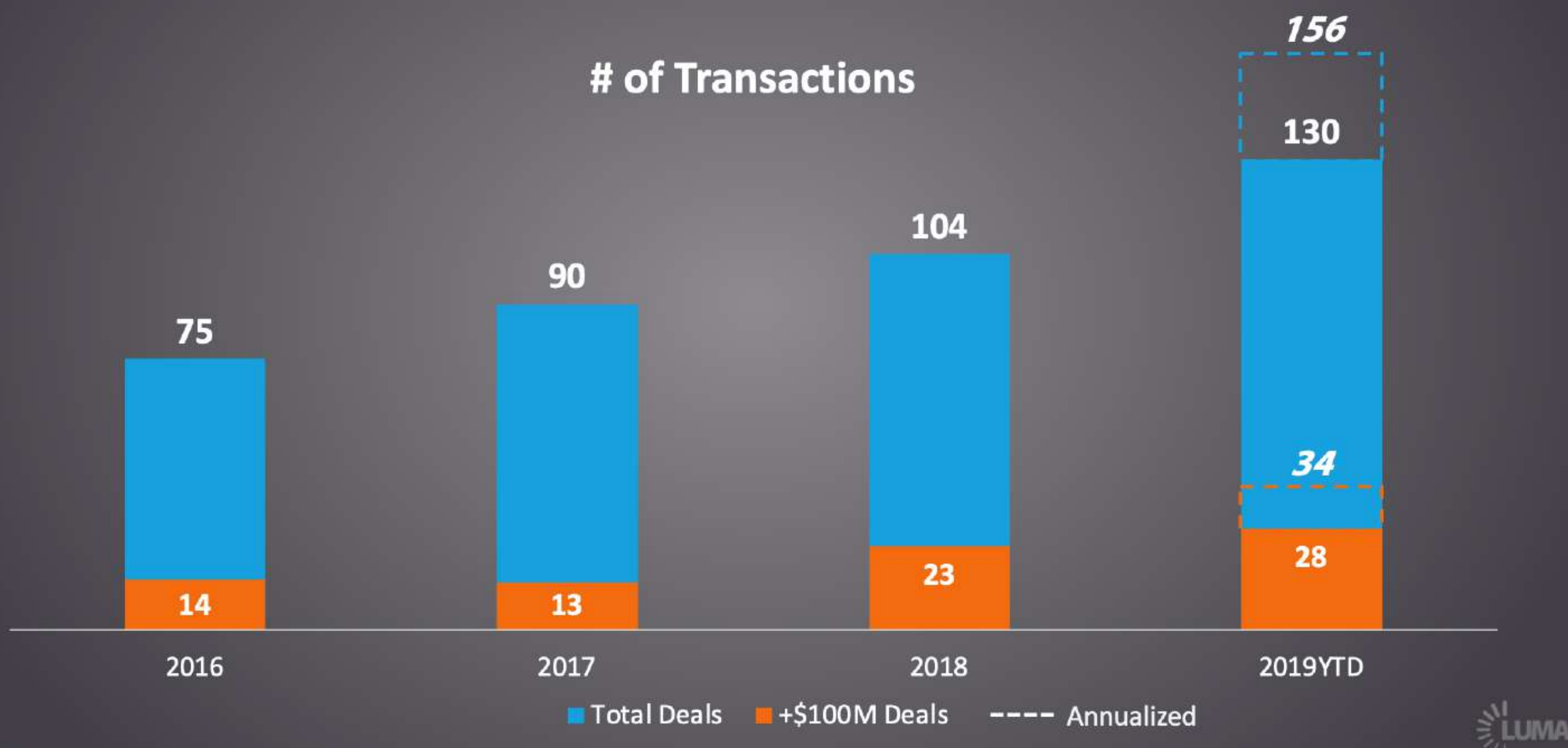
Source: LUMA

. . . and it's not just small deals getting done. We saw 63 deals over $100MM in the last year; an increase of almost 20% over the prior year.



MarTech was particularly strong, as we saw a number of sizable exits over the past year, including five $1 billion deals reflecting over $25 billion in total value.

MarTech's Increasing Deal Activity



Source: LUMA

MarTech has been so strong, we have had to revise our comments from 2018. Last year, LUMA declared 2018 the "Year of MarTech," after seeing over 75% growth in scaled transactions. We weren't wrong, but we may have been a little early. 2019 deal activity has already surpassed last year's total and, if we annualize these numbers, we are definitely on track for a record year.

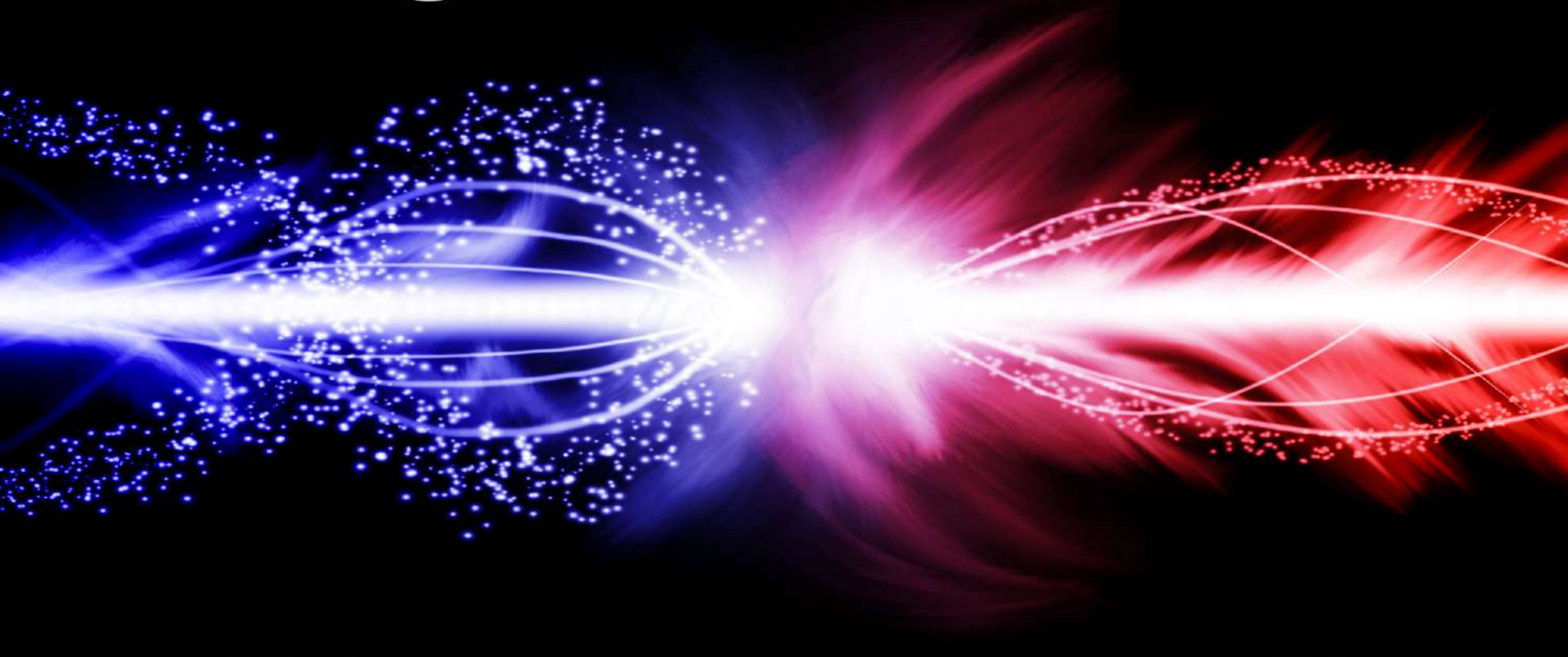
Expanding Buyer Universe in MarTech

		Acquirers	Targets
USUAL SUSPECTS	MARKETING CLOUDS	salesforce, ORACLE	tableau, MapAnything, CROWDTWIST, roundCorner, bonobo.ai
USUAL SUSPECTS	PRIVATE EQUITY	Centerbridge, Platinum Equity, VISTA, THOMABRAVO, MARLIN EQUITY PARTNERS, VECTOR CAPITAL, ESW CAPITAL, PROVIDENCE EQUITY	IBM Marketing Software, ASPECT, CLARUS commerce, Acquia, SYNOPTOS, validity, CISION, mailgun, Return Path
	DIGITAL GIANTS	Google, Microsoft, Apple, LinkedIn	drawbridge, alooma, PromoteIQ, looker, DATATIGER
	BRANDS	Mastercard, McDonald's	DYNAMIC YIELD, sessionM, APPRENTE

What's causing the uptick in MarTech deal activity? Continued strong buyer dynamics given the expanding buyer universe. Marketing Clouds continue to be active, and Private Equity remains the single biggest buyer in the category. But beyond those usual suspects, the Digital Giants, who'd been quiet on the M&A front the last few years, jumped back into the fray. We also saw Brands doing deals to bring capabilities in-house. We cannot say we predicted McDonald's would be a serial acquirer in the sector, but we remain encouraged by all the activity.

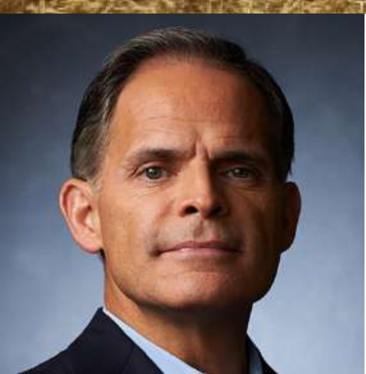
2. Ecosystem Considerations

Convergent TV



Convergent TV is a widely talked about topic across our ecosystem. There is a lot happening in the space, and a lot more coming in the future.

The Media Perspective



First, let's think about the convergence of TV from the Traditional Media perspective.

TV's Death is Long Overdue

BUSINESS INSIDER

The Death of Television May Be Just 5 Years Away

Jim Edwards Dec 2, 2011, 11:56 AM

TechCrunch

Internet TV and The Death of Cable TV, really

Jon Orlin @jonorlin / 8 years ago

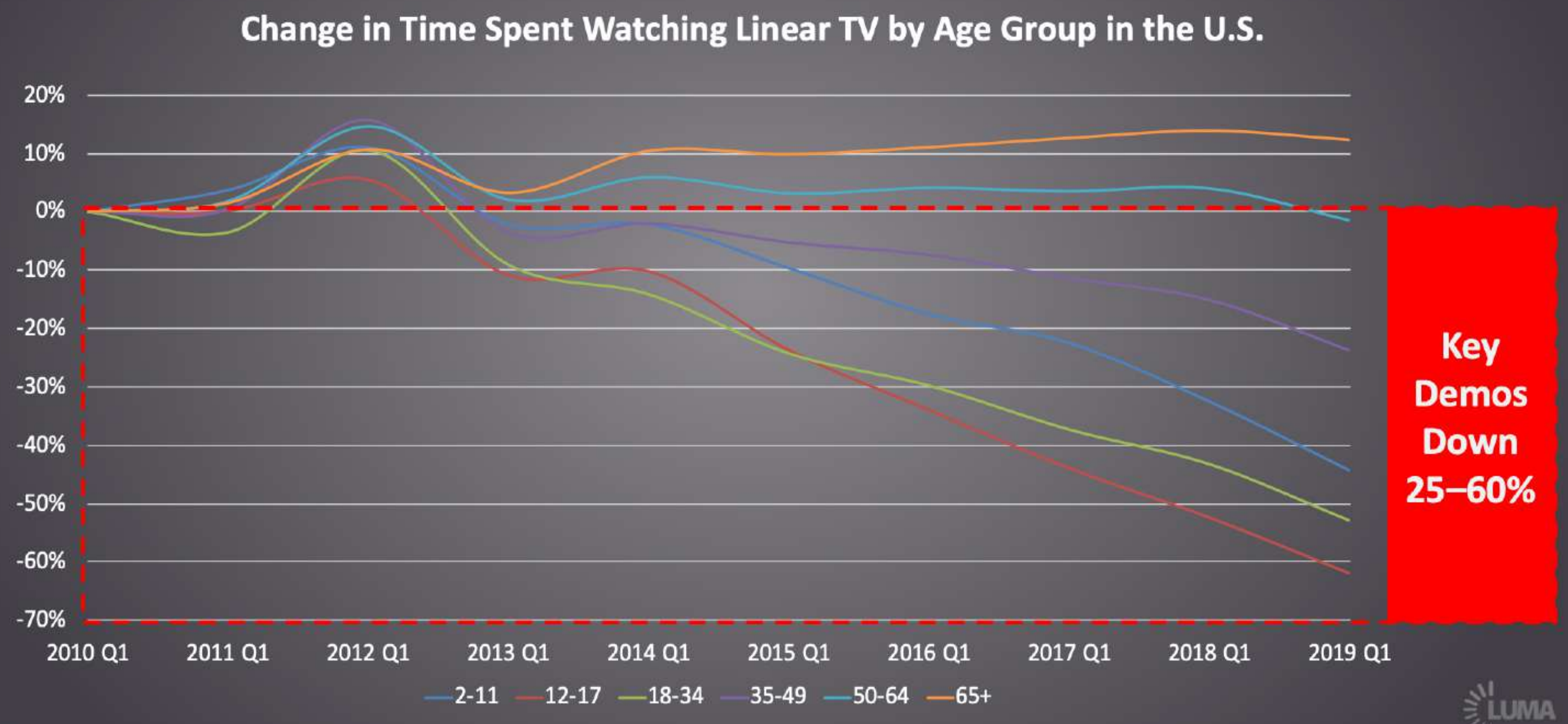
BUSINESS INSIDER

Cord Cutting Is Real: Pay TV Loses Subscribers For The Second Straight Quarter

Jay Yarow Nov. 17, 2010, 1:01 PM

For the past ten years we have been hearing that TV is dead or dying and that it needs to fundamentally change in order to stay alive.

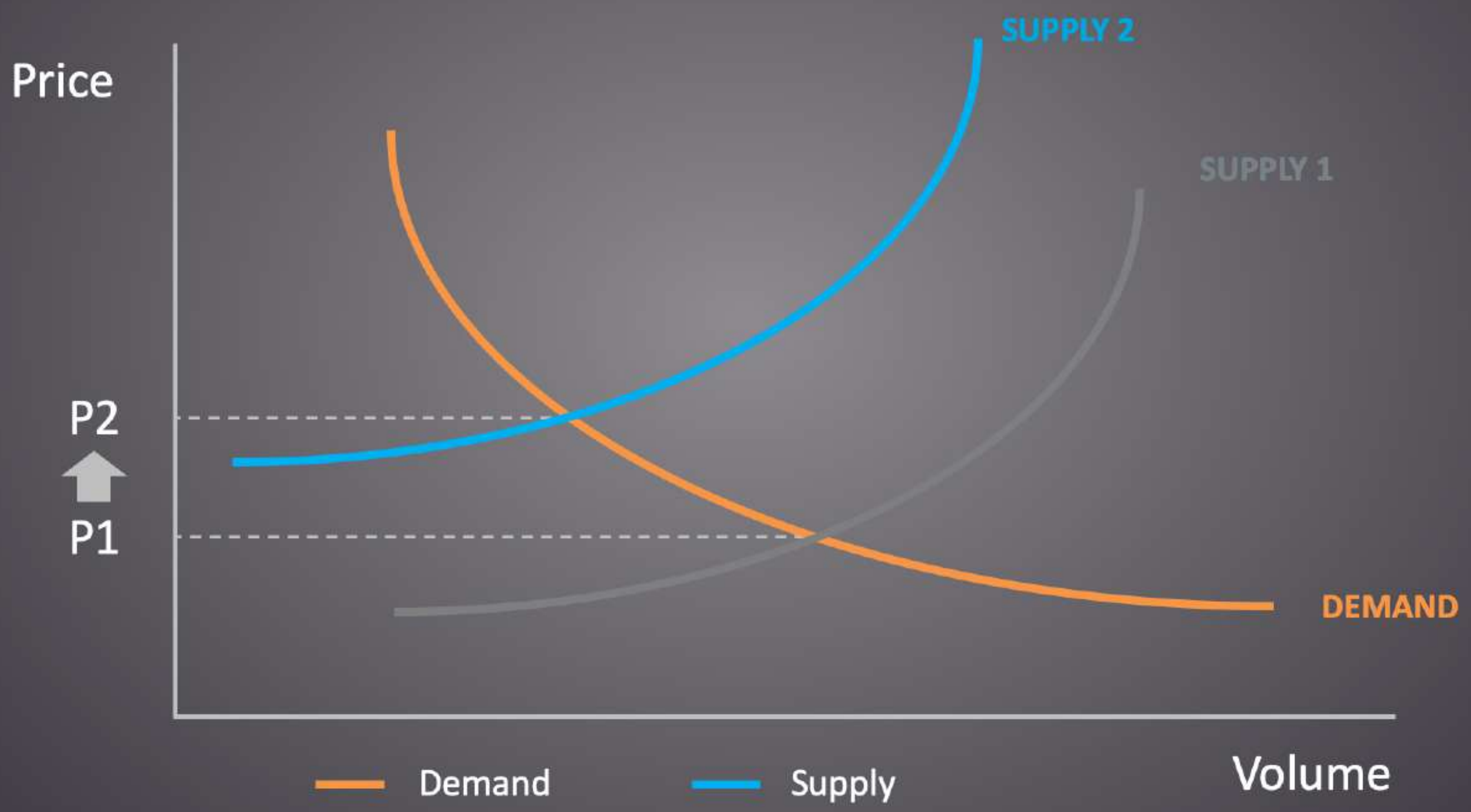
Though Linear TV is in Secular Decline



Source: Nielsen

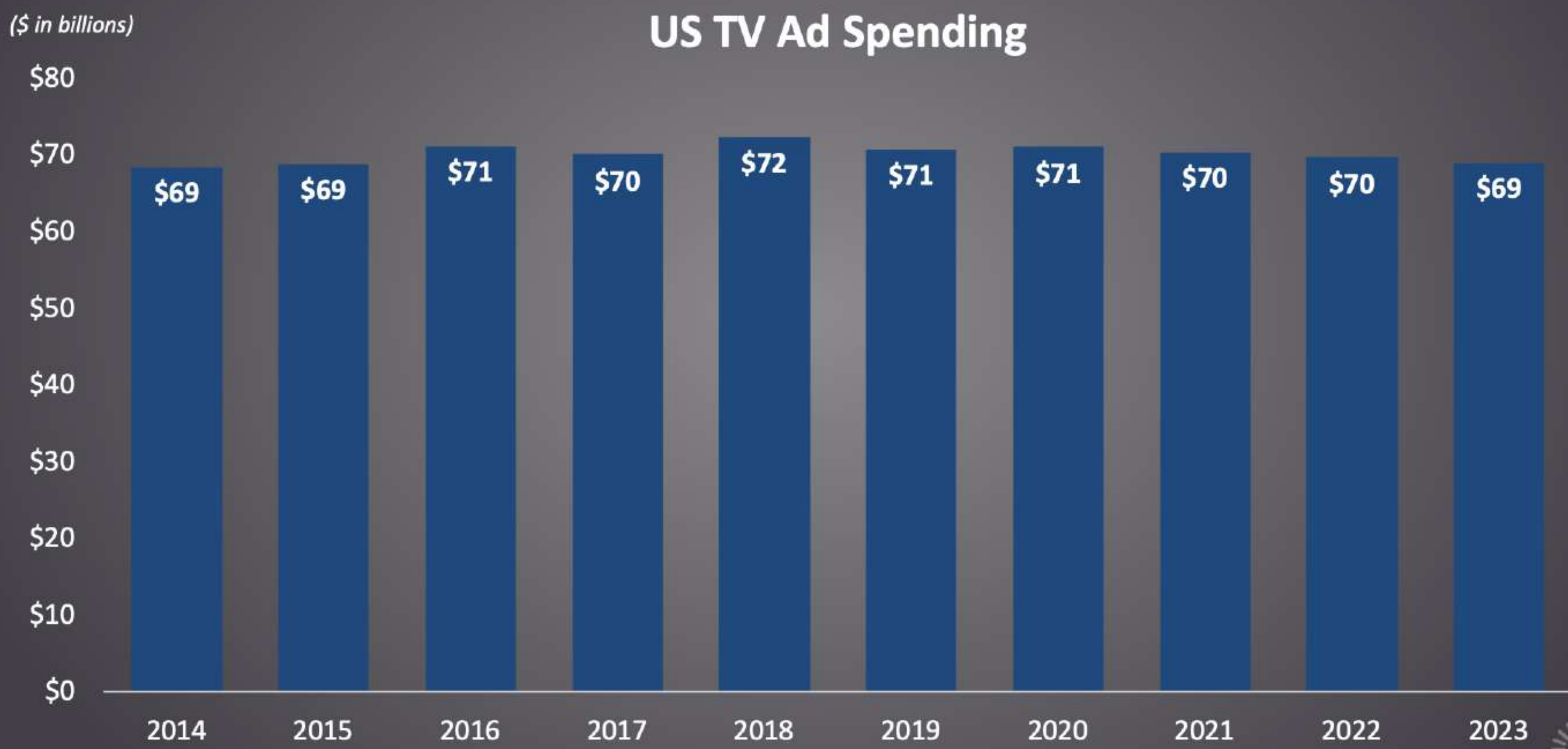
There is some evidence that TV is dying. If you look at the viewer dynamics over the past decade, TV is in secular decline. For the key demographics that make up the younger viewership, traditional linear TV viewing is down 25 – 60%. From this perspective, the rumors that TV is dying seem to be true.

Linear TV Has Strong Demand Elasticity



But linear TV is demonstrating an incredible elasticity of demand. As supply has constricted with viewership way down, prices have increased to make the market.

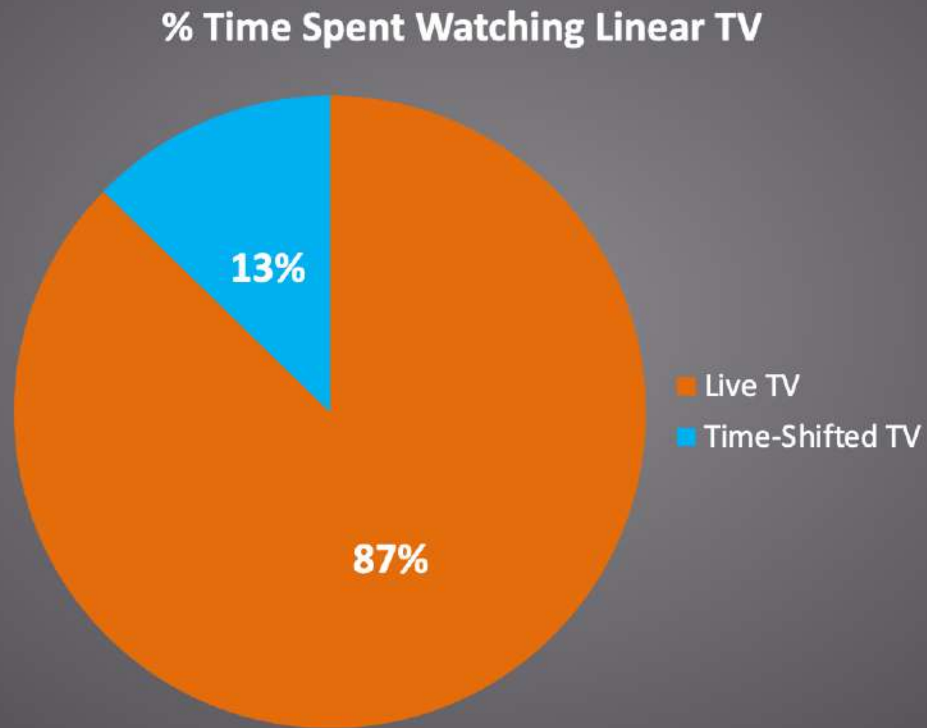
Sustaining TV's Economic Model



Source: eMarketer

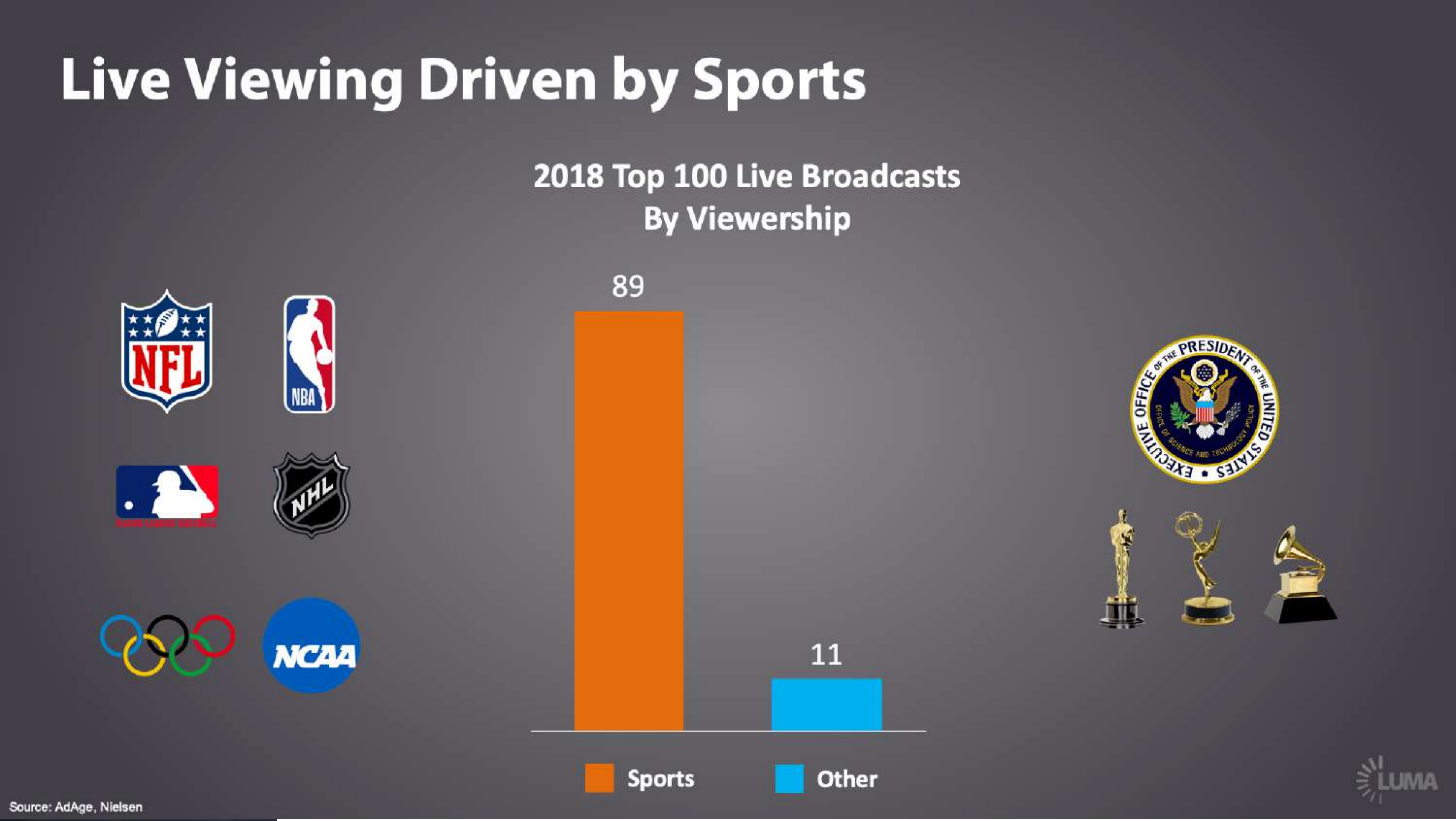
And it has worked! TV Ad Spending has been largely flat for the past five years and is projected to remain as such for a few more years.

Linear TV Viewing Driven by Live TV

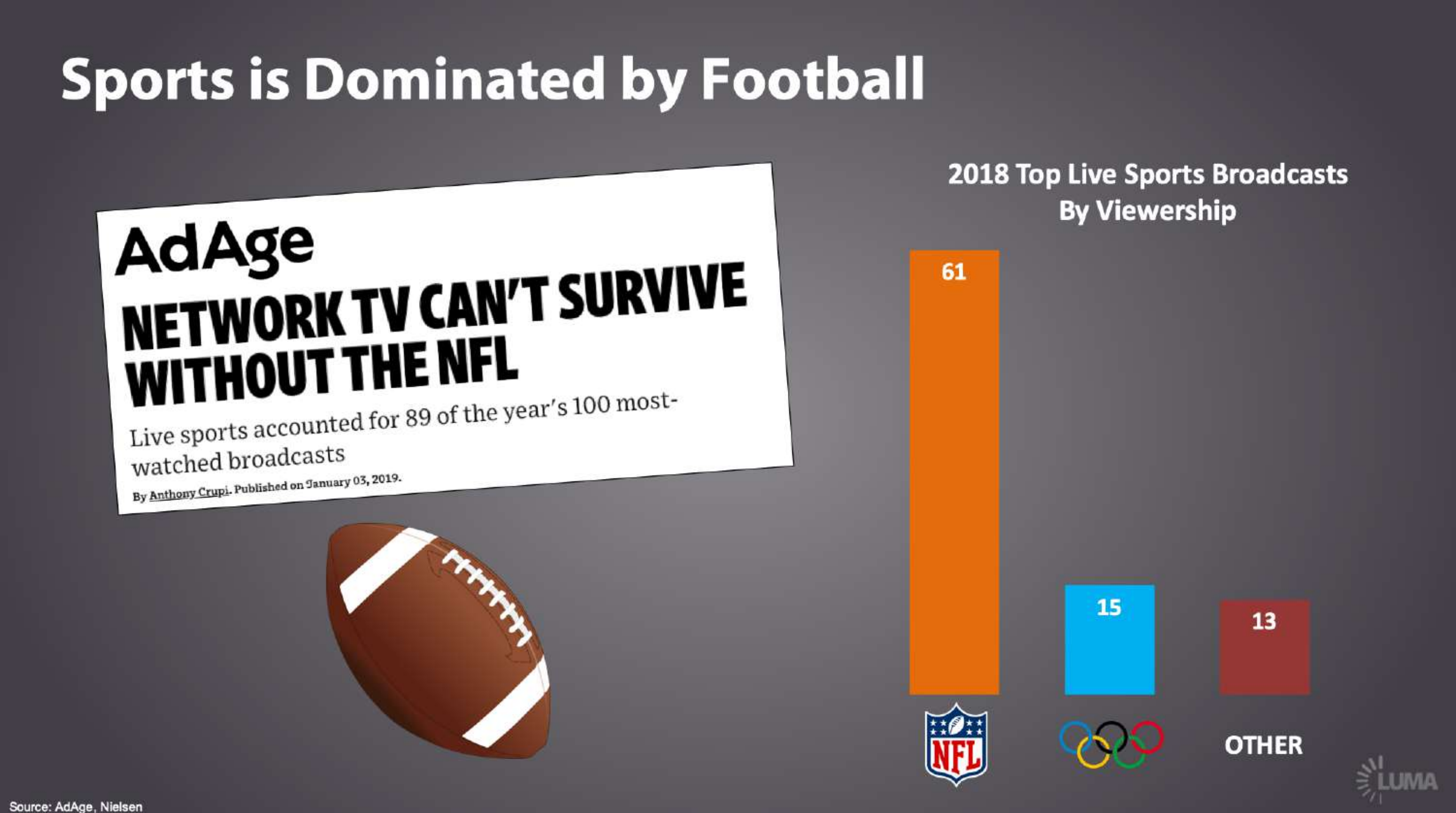


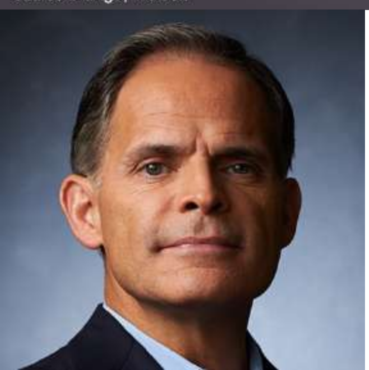
Source: Nielsen

What are the catalysts that can change this dynamic in TV? If we think of the comparative advantage of linear TV, we think of live TV. The time spent watching linear TV is dominated by live TV, with 87% of the viewing time.



When we think of live TV, that viewership is driven by sports. An overwhelming majority of the most-watched live broadcasts in 2018 were sporting events.





While sports drives viewership in live TV, sports viewing is dominated by football. It's clear that the NFL holds the keys to the linear TV kingdom.

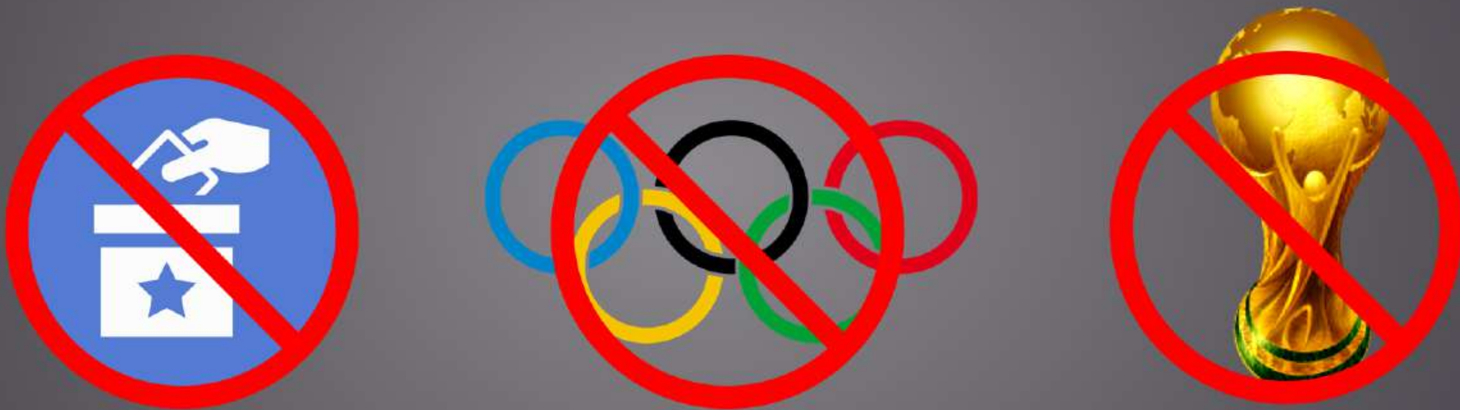
Sports Broadcasting Contracts a Possible Catalyst

	NFL	NBA	MAJOR LEAGUE BASEBALL	NHL
Participating Broadcasters	CBS, FOX, NBC, ESPN	abc, ESPN, TURNER SPORTS	TURNER SPORTS, FOX, ESPN	NBC Sports
Ending Season	2022	2025	2028	2021

And the NFL will soon be hitting the open market. The broadcasting contracts for the NFL are set to end in 2022, and you can bet those contracts are already being negotiated. Along with this, the other major professional leagues have contracts that are expiring as well. If the digital players were able to get their hands on the rights to NFL broadcasts, that could very well be the anvil that breaks the camel's back.

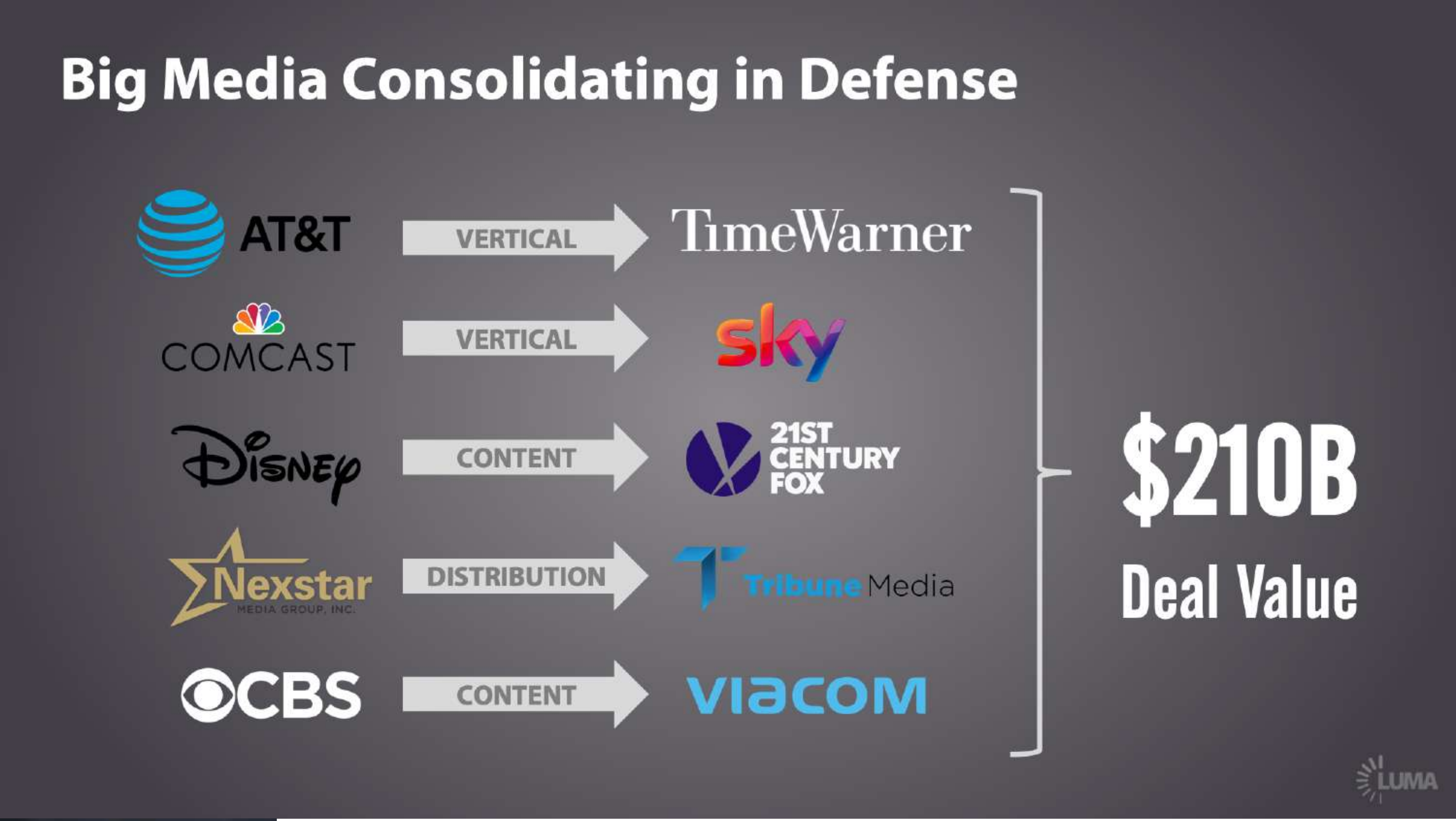
But Turning Point Rapidly Approaching for TV

2021



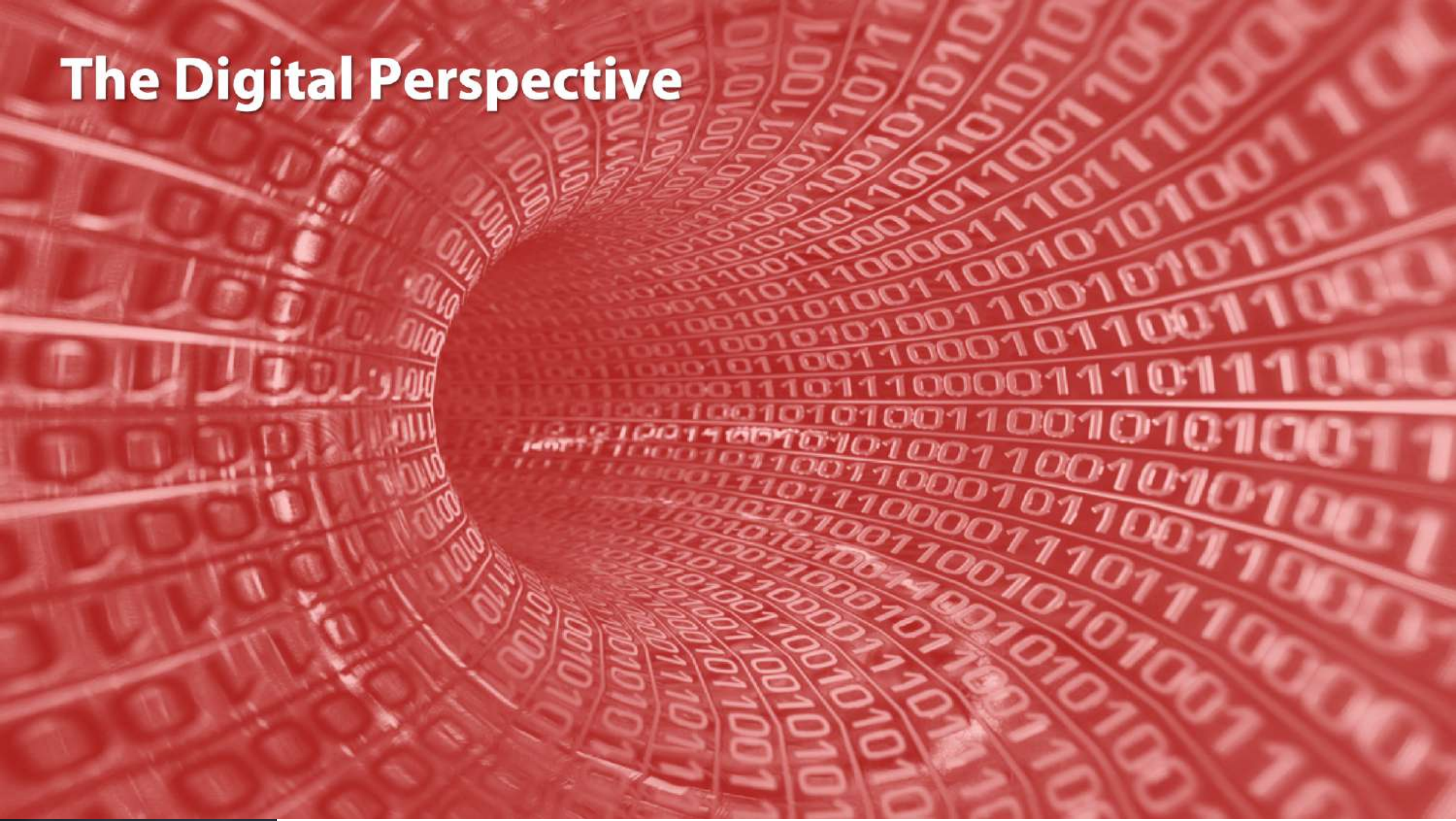
Non-Election **Non-Olympic** **Non-World Cup**

While 2020 will be a strong year for linear TV with elections and the Olympics, 2021 might be the turning point. With no elections, no Olympics, and no World Cup, and the contract renewal of major sports leagues on the horizon, all eyes will be on 2021 for traditional TV.



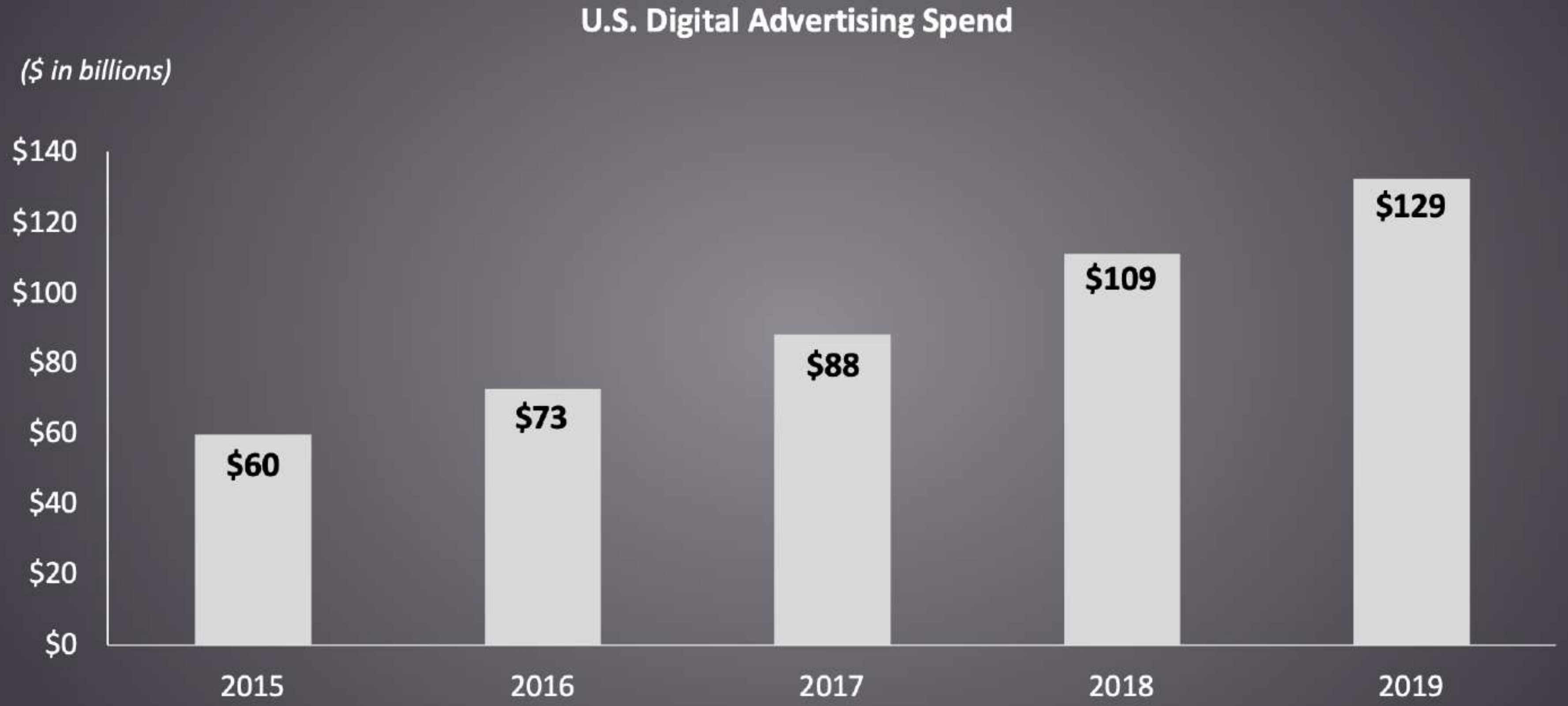
What are the incumbents doing in preparation? They are bulking up. There have been over $200B in deals in just the last few years, as big media players are consolidating in anticipation of the fight that's to come.

The Digital Perspective



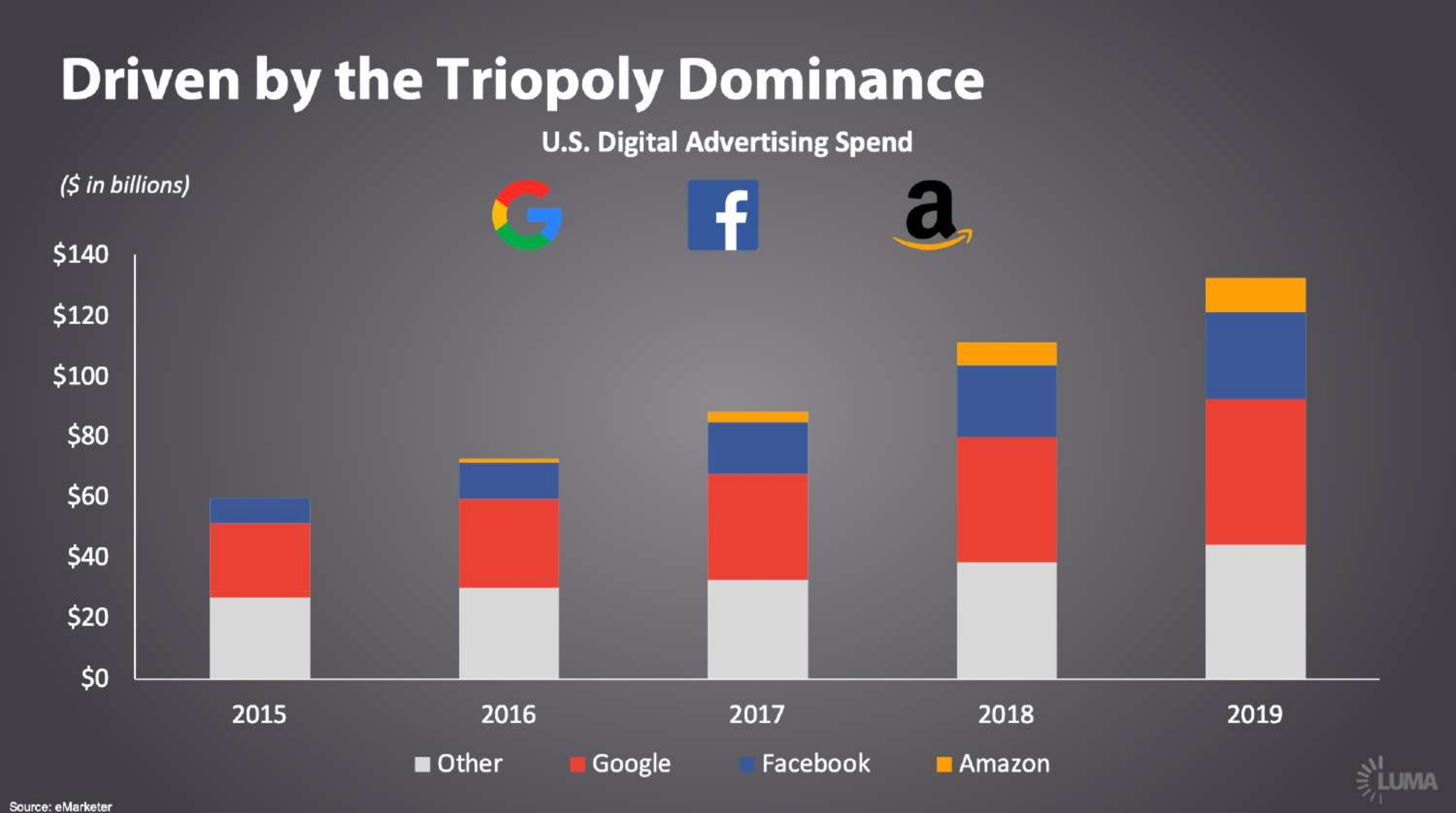
Now thinking about the Digital Perspective . . . they look at things very differently compared to Traditional Media.

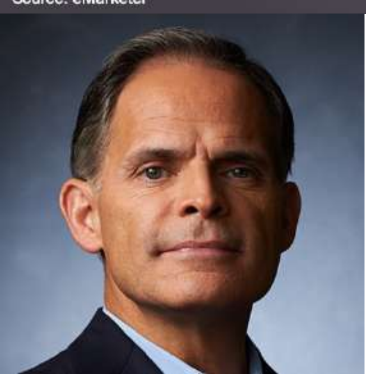
Digital Channel Has Grown to Surpass TV



Source: eMarketer

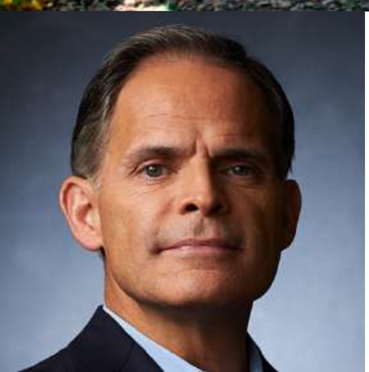
Digital advertising spend surpassed TV several years ago as the largest media & advertising channel. Digital is now a nearly $130B market and still growing.



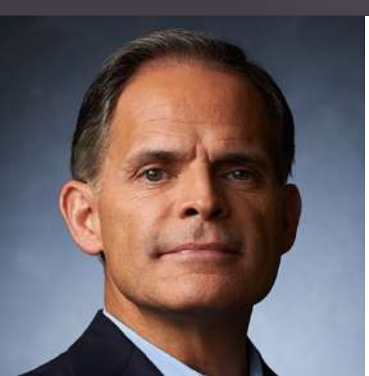


The Triopoly continues to dominate the digital sector. Amazon, Facebook and Google now account for over two-thirds of all U.S. digital advertising spend.

But Digital Advertising Growth Starting to Slow

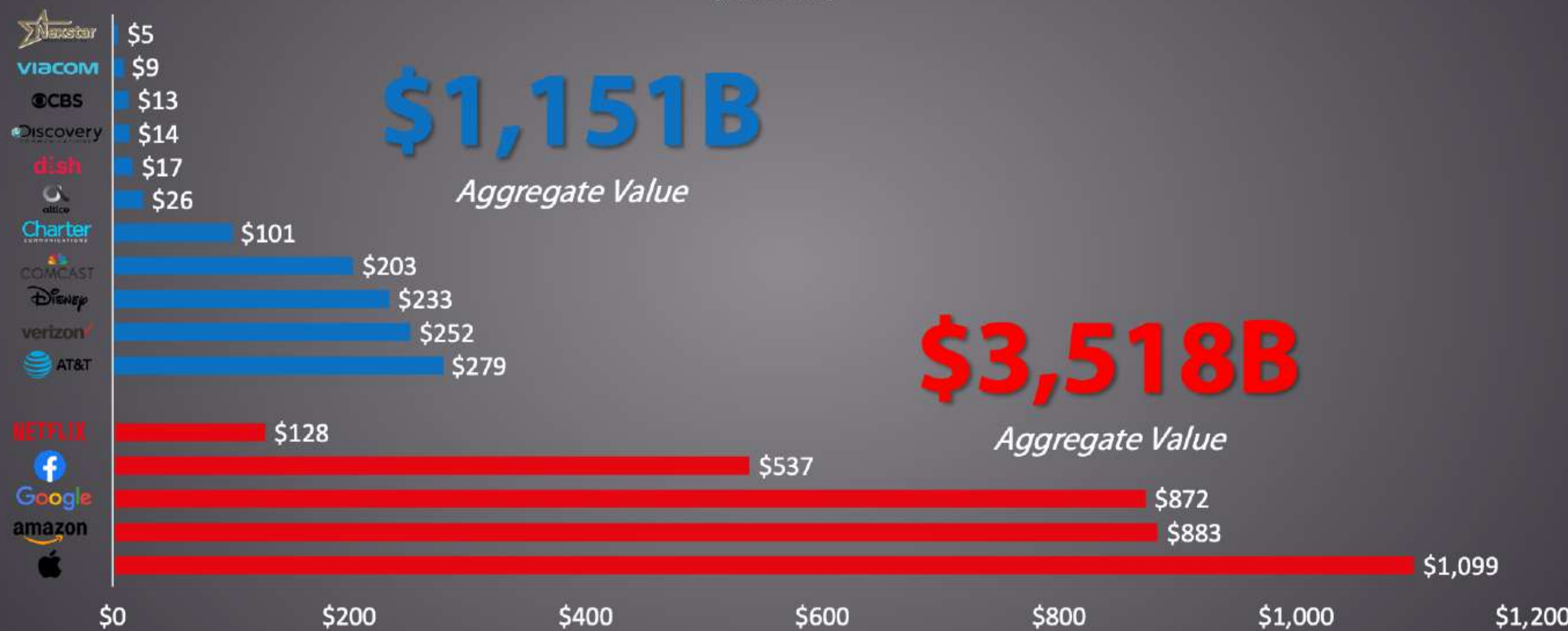


But according to the IAB/PWC report earlier this year, we are seeing the growth of the digital sector starting to slow.

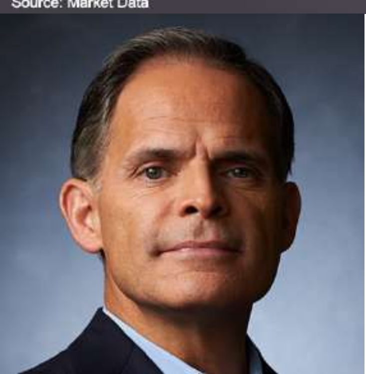


So, with digital growth slowing, big tech companies have set their sights on the largest remaining market available: television. TV offers a $70B advertising market and a $80B pay market that is ripe for disruption.

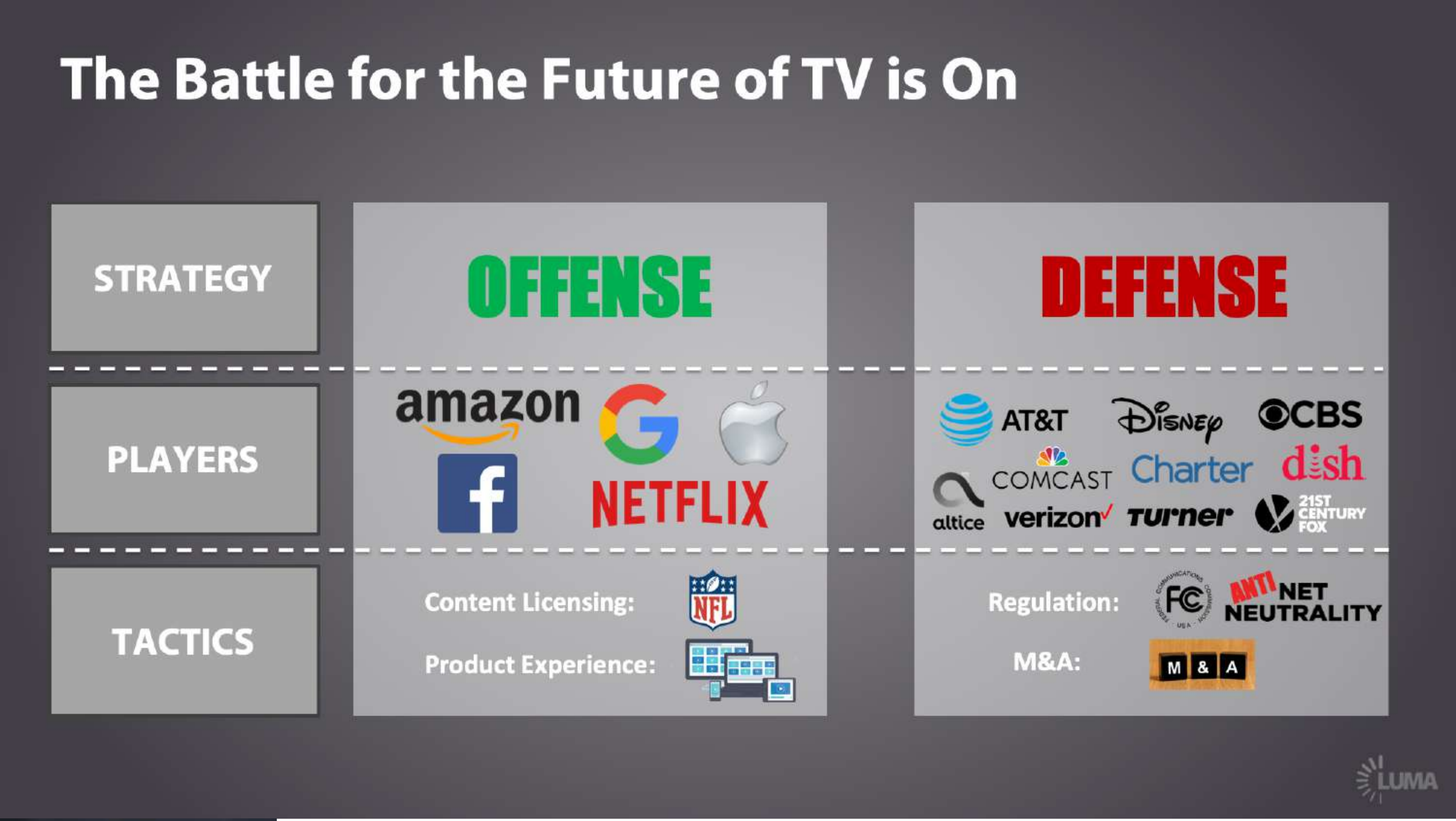
And It's Not a Fair Fight



Source: Market Data



And it won't be a fair fight. Even with the traditional media companies consolidating in an effort to gain scale, they still pale in comparison to the digital giants. These big tech players not only have higher market caps, but they trade at higher multiples and have more cash. They simply overpower the traditional media players.



In the battle for the future of TV, there are two sides. The digital giants are clearly on the offensive, spending lots of money on content and focusing on the user experience. On the defensive side of the battle, the incumbents are relying on regulation to help hold off big tech and will need to leverage M&A in order to garner the capabilities that are inherent with the digital giants.

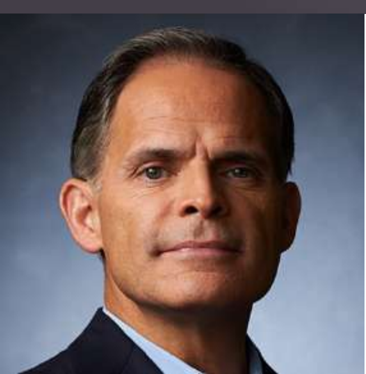
Streaming Wars Are Heating Up

Pre-Existing	*Announced in Last Year*

We all know that the streaming wars are heating up. We've had a variety of options for consuming TV content over-the-top with existing streaming players. The competition has stepped up in the last year with the launch of many new streaming services. This is an all-out war and is what traditional media needs to do to match the proclivities of the consumer.

Strategy to Ensure Successful Roll-out: FREE

	tv+	HBO max	Disney+	peacock
CONTENT RIGHTS		FRIENDS	MARVEL LUCASFILM Ltd PIXAR	The Office
SUBSCRIPTION PROMOTIONS	1 Year Free with Purchase of Apple Products	Free for Current HBO Now & HBO Subscribers	1 Year Free for Verizon Unlimited Customers	Free for Comcast's Broadband Subscribers **(or Possibly All)**



And they are ensuring the success of these rollouts by, essentially, making them free. Whether it's with promotional deals, subscription bundles or, in Peacock's case, possibly making it a free ad-supported platform, these new streaming services are making sure they hit the ground running.

Now Netflix's Dominance is Being Challenged

MarketWatch

Netflix at risk of losing 8.7 million subscribers to Disney+, survey finds

Published: Apr 25, 2019 2:59 p.m. ET

The Motley Fool

Is Netflix About to Lose 10 Million Subscribers?

One analyst seems to think Netflix can go from 60 million to 50 million U.S. subscribers at its current pricing.

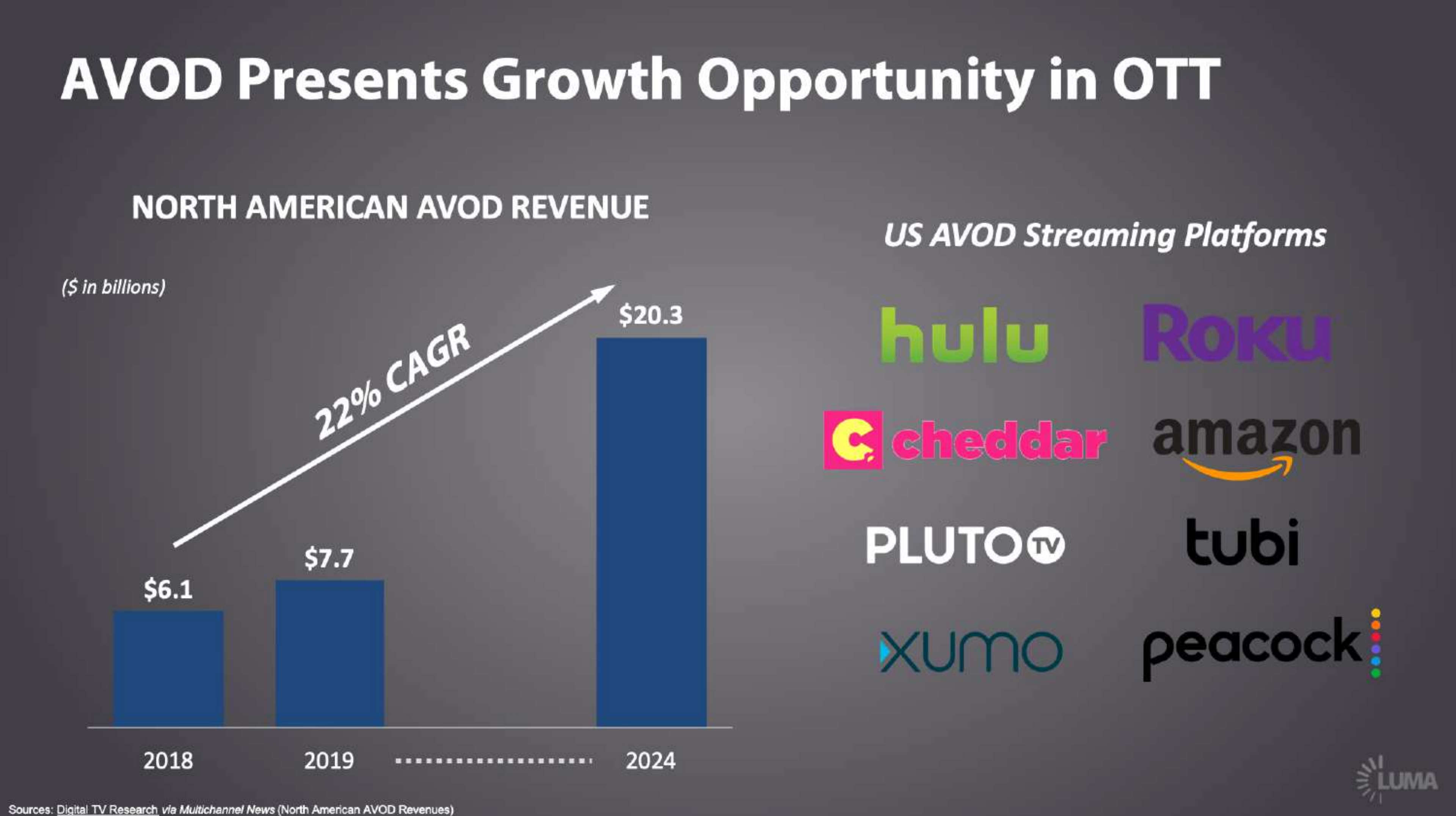
Rick Munarriz
Oct 3, 2019 at 11:58AM

For the very first time, the dominance of Netflix is being challenged. Some research analysts forecast that Netflix will lose more than 10 million subscribers, with some even predicting that Netflix's stock could go to zero. We don't believe that will happen, but it is clear the streaming wars will have significant consequences.

The Streaming Wars Will Have Casualties

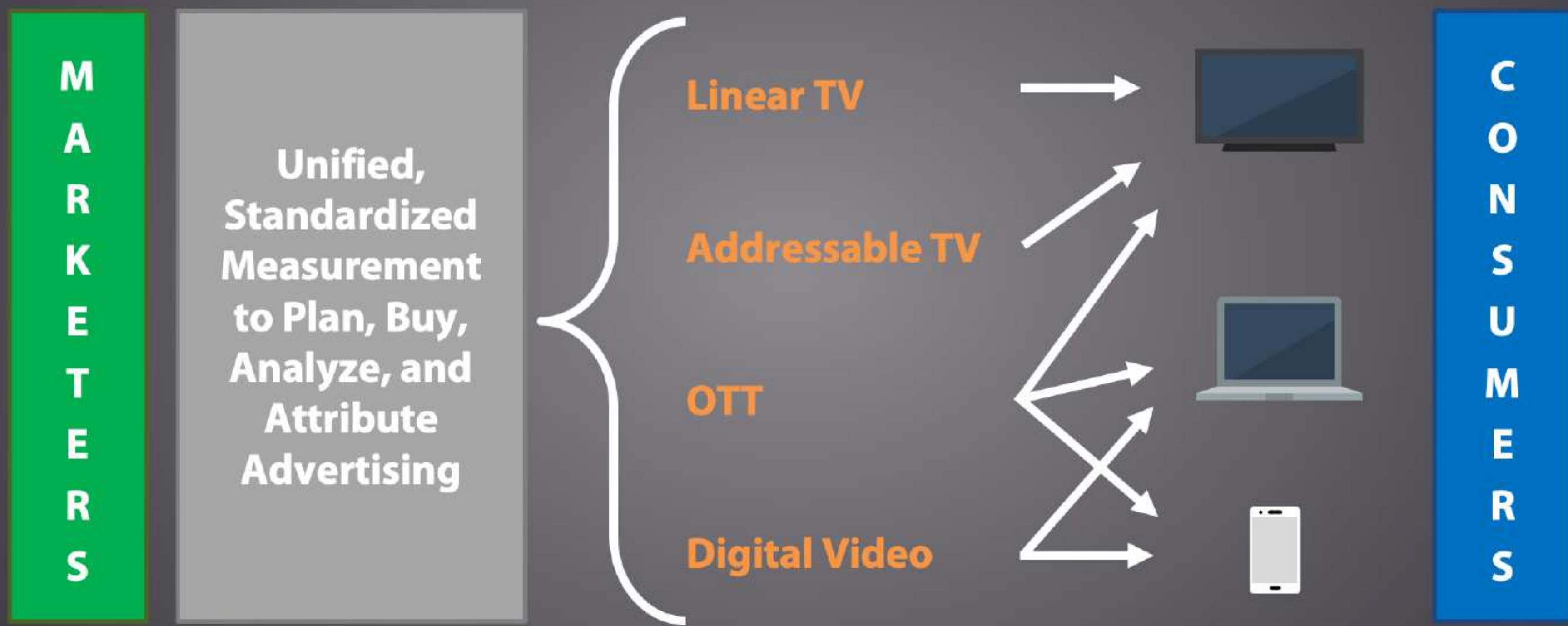
All wars have causalities, and the streaming wars won't be an exception. Just recently, we saw two such casualties: Sony announced they are shuttering PlayStation Vue and Walmart announced that they will be putting Vudu on the sale block.

But the streaming surge will not be all bad for advertising as not all Americans can afford unlimited TV subscriptions. There will be a significant opportunity for AVOD adoption as consumers are priced out of SVOD.



And the projections for the AVOD spend category are set to be substantial.

But CTV Presents Much Complexity



One of the challenges with this new world is the complexities around figuring out how to unify a buy across all forms of video, whether it may be linear, addressable, OTT or digital. For a holistic perspective on channel spend, marketers need a unified, standardized way of being able to plan and buy TV media.

Requiring Industry Cooperation

OPEN A.P.

NBCUniversal FOX Univision Viacom

OAR
OPEN • ADDRESSABLE • READY

AMC Networks CBS Comcast NBCUniversal Discovery Communications Disney FreeWheel A Comcast Company FOX HEARST Inscape Turner Xandr Vizio

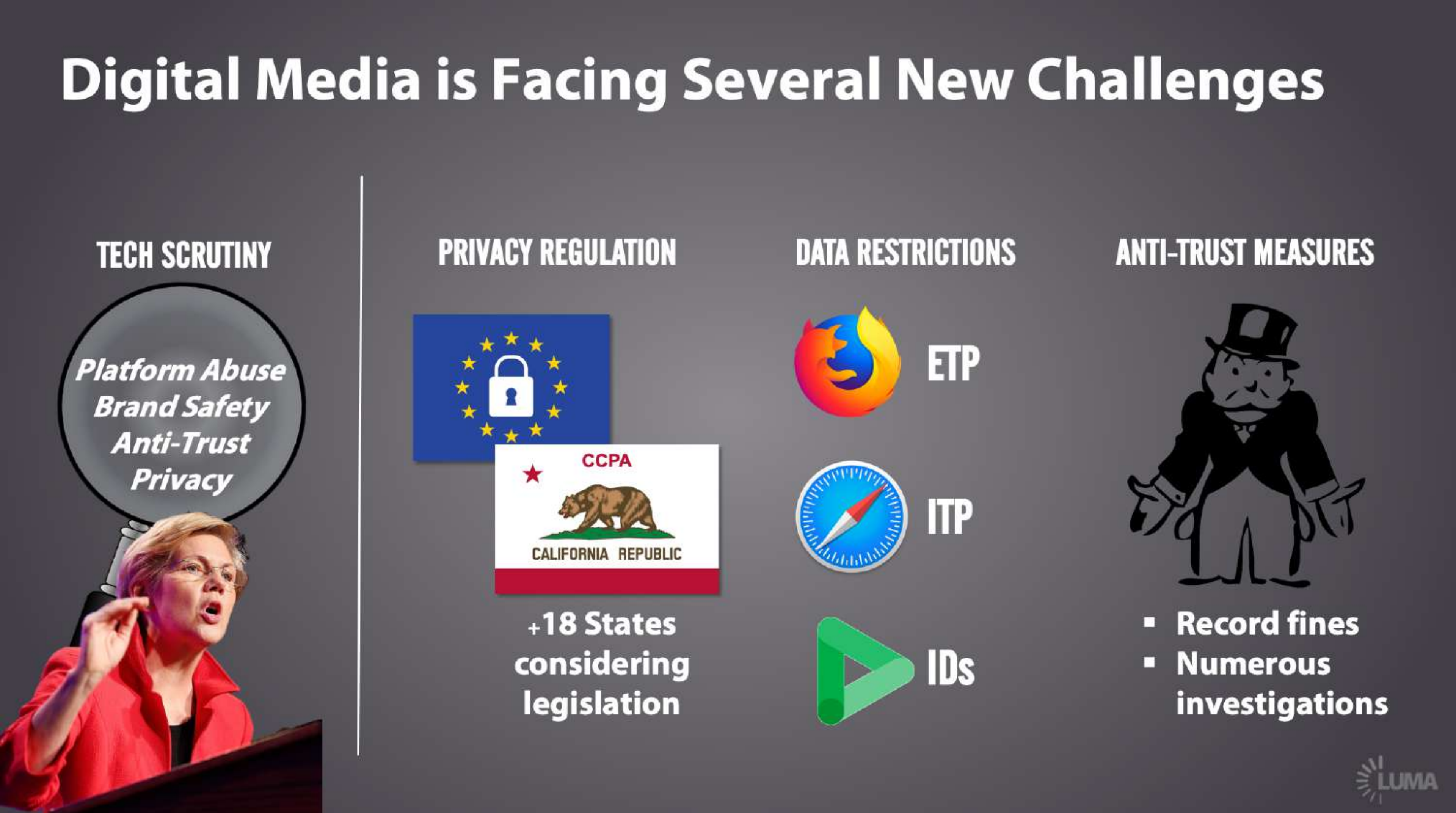
AdAge
TV CONSORTIUM OPENAP INTRODUCES NEW AUTOMATED AD MARKETPLACE
The goal is to allow advertisers to buy audiences across linear and digital content
By Jeanine Poggi. Published on April 25, 2019.

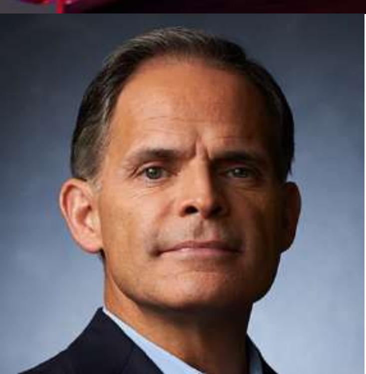
AdAge
TV NETWORKS PARTNER TO STANDARDIZE ADDRESSABLE ADVERTISING
NBCU, Turner, CBS, Disney, among media companies forming yet another industry consortium
By Jeanine Poggi. Published on March 12, 2019.

And industry cooperation will be required to solve for these complexities in CTV.

Data & Privacy

LUMA



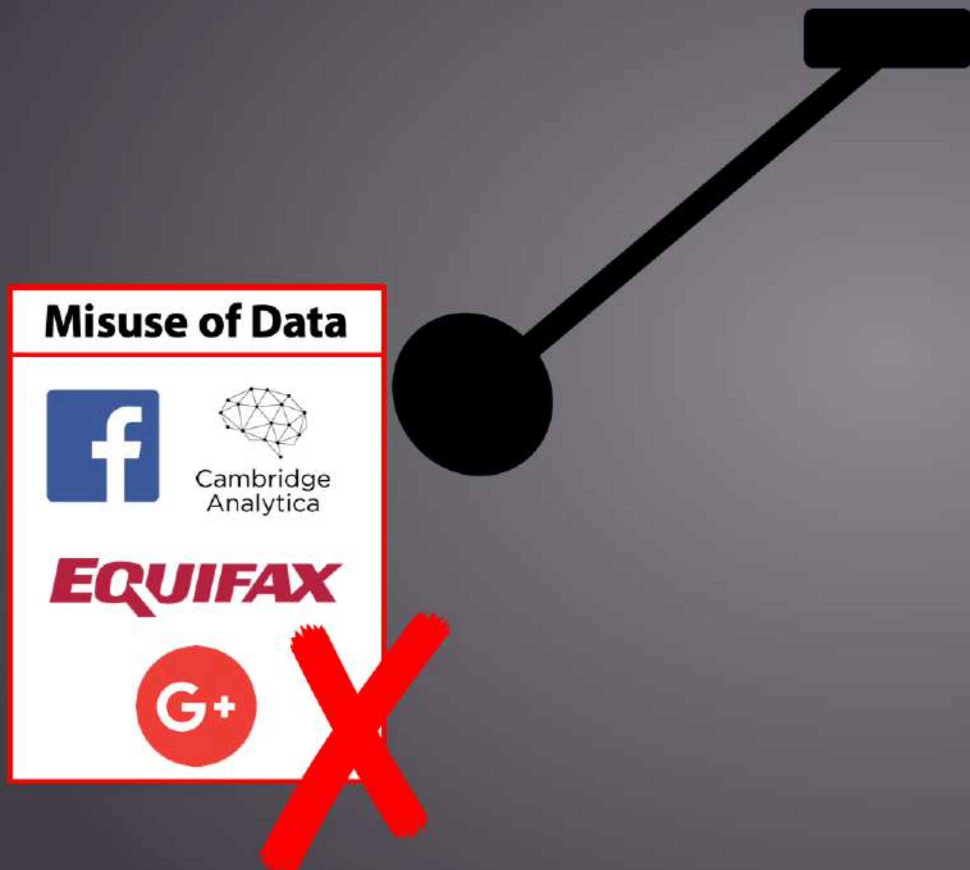


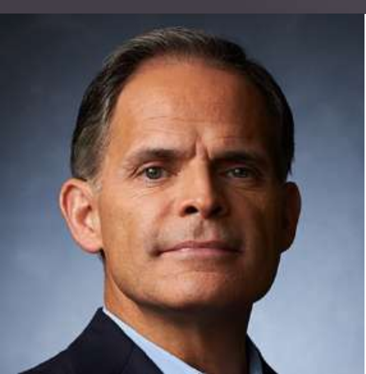
Digital media has been facing a new set of challenges ranging from major data breaches and platform abuse to privacy and anti-trust challenges. The increased tech scrutiny has led to more regulation, most notably the CCPA, as well as increasing self-regulation (corporate data restrictions), and anti-trust investigations. We believe that these impacts will ultimately strengthen the walled gardens as they start to build their walls higher, although they are being challenged, with nearly almost all States having launched anti-trust investigations on big tech.

Where Do We Go From Here?

These issues will leave a lasting effect on the industry and have already reshaped the landscape as we know it, raising the question: where do we go from here?

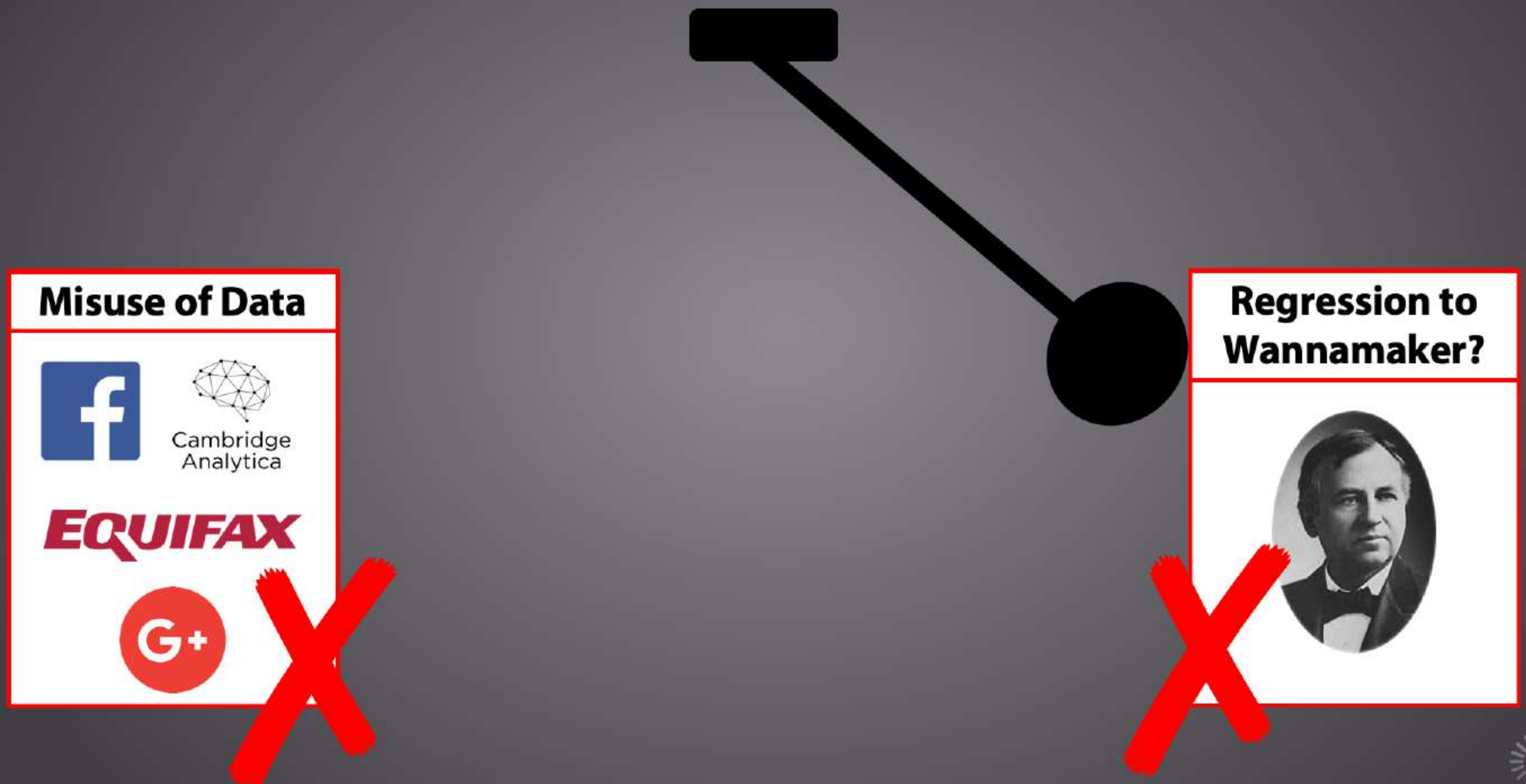
We Witnessed the Pendulum Swing Too Far Left





We witnessed the pendulum swing too far in one direction. The material issues such as data breaches, political interference and anti-trust need to be addressed, and regulation seems like the best way to do it.

But the Other Side of the Spectrum Doesn't Work



But an overcorrection to the opposite side of the spectrum doesn't work either. We cannot regress to a Wannamaker world where we don't know who is being marketed to.

The Middle Ground Focuses on the Consumer

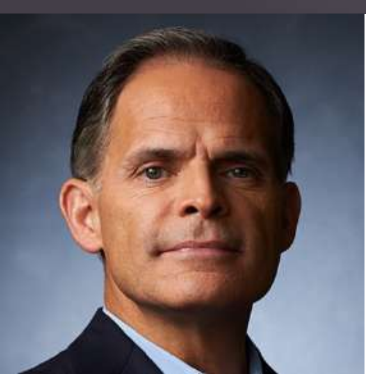
Misuse of Data

Facebook, Cambridge Analytica, EQUIFAX, G+

Consent Driven Data

- First Party Data
- Third Party (with Consent)

Regression to Wannamaker?



There has to be a middle ground that gives consumers transparency around what data is shared and allow for opt-outs. A focus on first-party data will also be better for business as it creates a direct relationship with the consumer.

MarTech Commentary

There has been continued investment into the CDP category over the past several years; ~$750M invested since 2017 and the category leaders are all growing at exceptional growth rates. We expect this trend to continue with large growth rounds going forward.

Confusion Around What a CDP Is

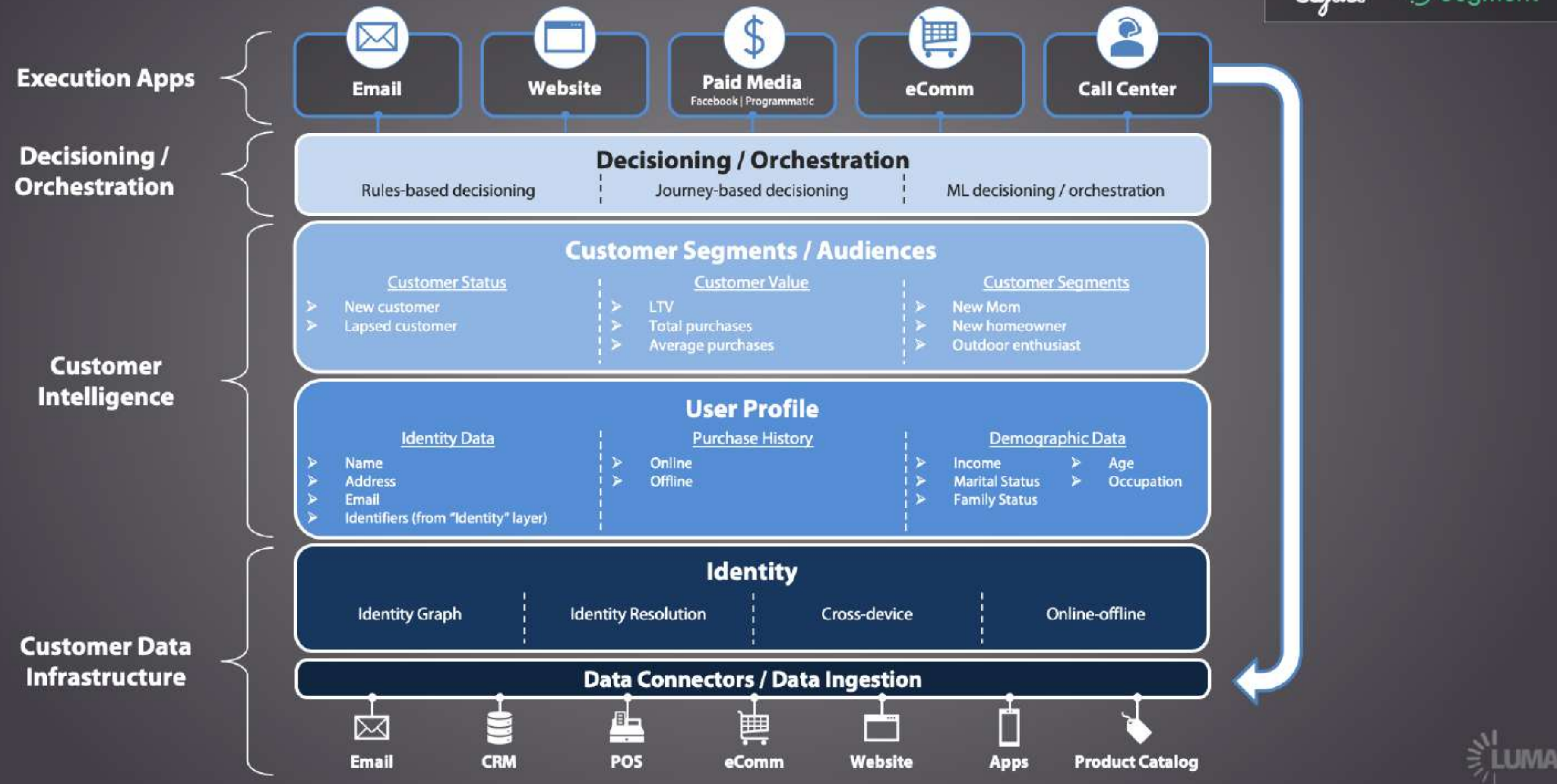
CDP's as Classified by:
CUSTOMER DATA PLATFORM INSTITUTE

ActionIQ, advalo, Agilone, aginity, alterian, amperity, arm Treasure Data, Ascent360, audiens, blueconic, blueshift, BlueVenn, Boxever, Bridg, CaliberMind, Camp de Bases, celebrus, CleverTap, Commanders Act, conjura, contactlab, CrossEngage, Custobar, datalicious, Datatrics, datorama, CDM, ensighten, Eulerian, evergage, Exponea, FanThreeSixty, first hive, Gamooga, healthgrades, hull, IgnitionOne, Informatica, insight360, Integral Core, Intent HQ, invicta, jahia, Lattice, LeadBoxer, leadspace, lemnisk, lexer, Lytics, Manthan, Marketing G2, mediarithmics, Meiro, mindbox, mparticle, MVPaudience, Myntelligence, nectarom, nextuser, NGDATA, nominow, ONEcount, optimove, pearl, Piwik PRO, PRDCT, quaero, QuickPivot, RedEye, Redpoint Global, Rekener, Reltio, Segment, session m, Simon, smarterHQ, Splio, Syntasa, Tealium, Teavaro, Totango, Tuple Technologies, Uniserv, usermind, velocidi, White Rabbit, YetiData, Ysance, Zaius, Zylotech

But we have also seen a lot of confusion in the category, especially in defining what exactly a CDP is, which is causing issues for marketers as well. These logos represent the CDPs that are listed on the CDP Institute website. Even we, who consider ourselves pretty well informed on the category, don't recognize some of these logos, and others we wouldn't consider CDPs. So it is no wonder that marketers – and potential acquirers – are confused about the category.

The CDP Stack

Graphic Inspired by: blueshift LiveRamp Lytics Segment



We created this graphic to identify the various capabilities included in the CDP category. Most companies really only have capabilities (or at least strengths) in a subset of these functions. For example, Segment is especially strong in the "data connectors" area. Evergage, the highest rated personalization vendor by Gartner, wins deals because of its strong execution apps (powered by its user profiles). Amperity, which focused on identity resolution, just combined with Custora, which focused on orchestration. Marketers (or acquirers) should focus on companies with the capabilities they need.

3. Value Creation with M&A

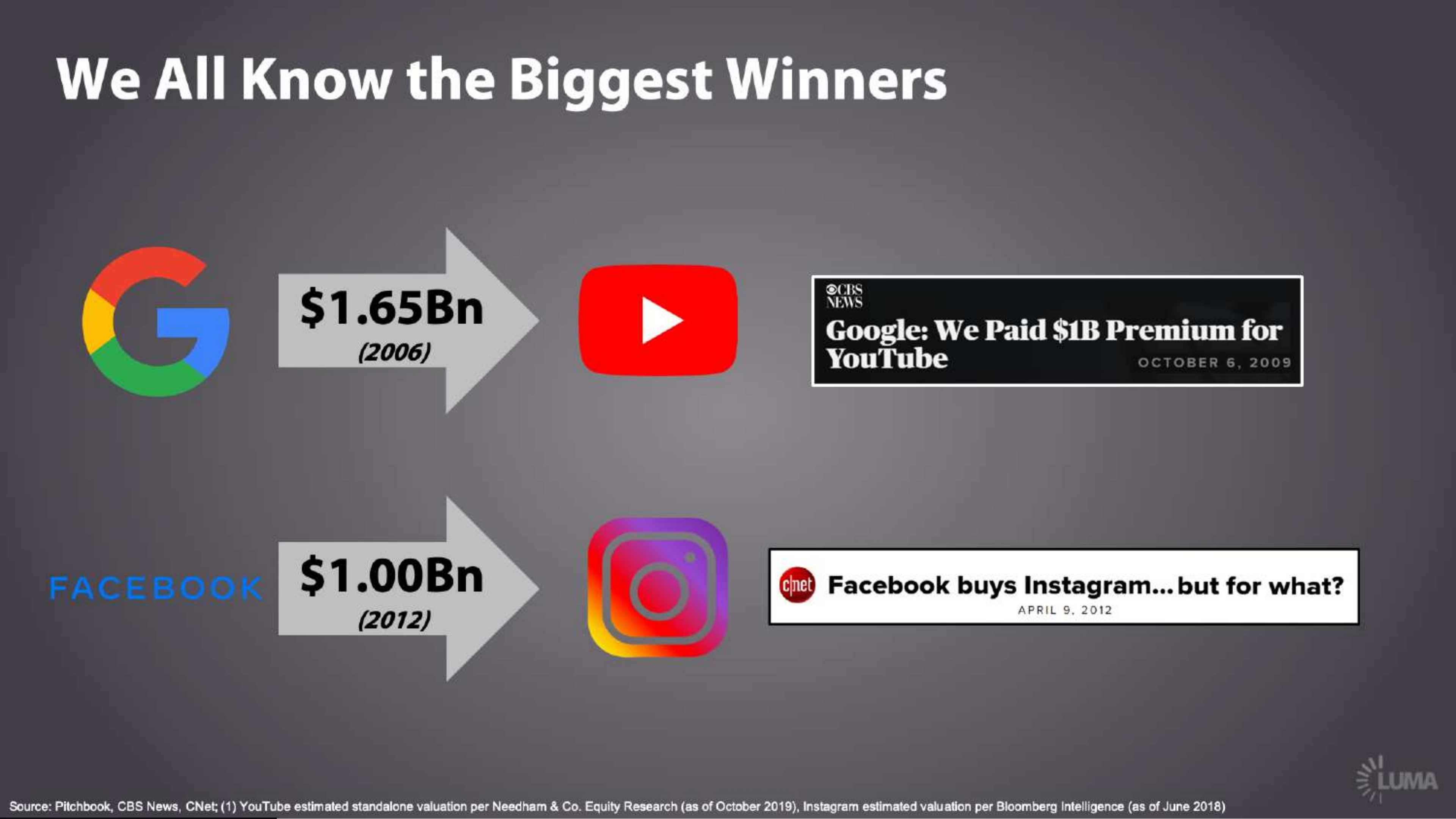
The Goal of M&A?

Increase Shareholder Value

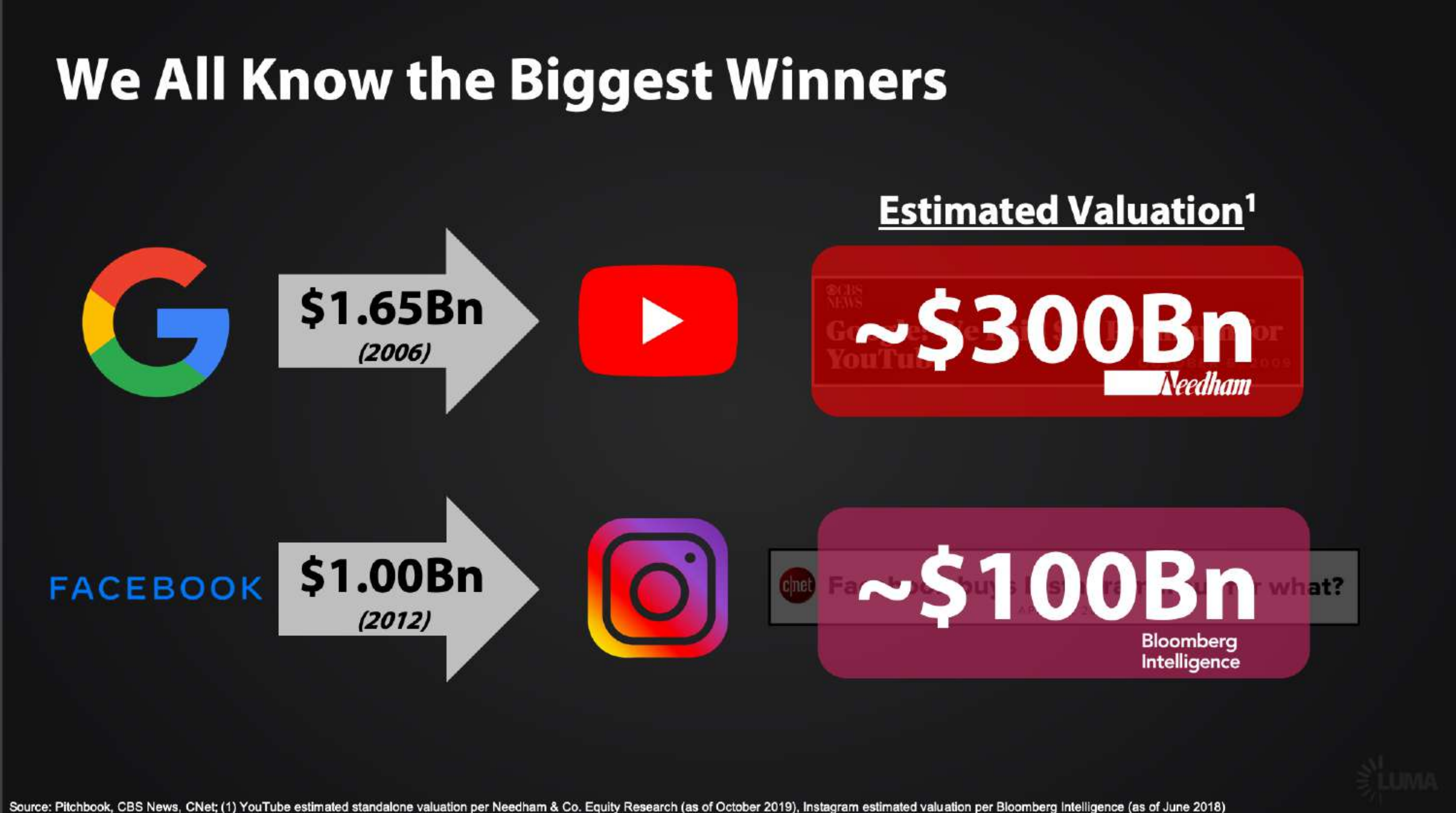
Primary Valuation Drivers:

1. **Growth**
2. **Operating Leverage**
3. **Predictability**
4. ***Strategic Value***

Why do companies do M&A? It's obviously to increase shareholder value. Everything they do as a business should have this goal in mind. For the independent value of any business, there are three core drivers: growth, operating leverage, and predictability. These drivers are why high-growth SaaS model businesses are so successful because they check off all those boxes. The other dynamic in M&A is strategic value, where a specific company has increased value when plugged into the buyer's business.



We have seen deals that are almost 100% strategic value, with the two most notable deals being Google/YouTube and Facebook/Instagram. When these deals were announced, there was a lot of head scratching around why both companies paid so much for companies that were so nascent.



But the recent estimates of YouTube and Instagram valued independently are staggering. Both deals are valued at 100-200x returns on the M&A price tag. Obviously, everyone strives to achieve the success and value that these two particular deals have achieved.

Value Creation with M&A: MarTech Case Studies

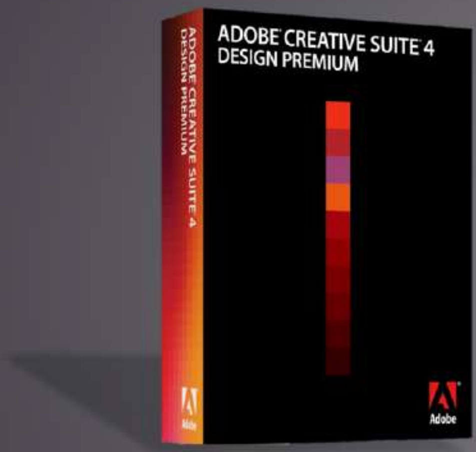
For this presentation, we are going to focus on two companies in marketing tech that have transformed their businesses through M&A: Adobe and LiveRamp. Let’s start with Adobe.

Value Creation with M&A: MarTech Case Studies

Adobe

Adobe has really transformed their business in two ways: the building of the Marketing/Experience cloud and through the transformation of the traditional Adobe creative business.

Adobe Pre-Omniture (2009)



Box Software Products

Sold Through Retail

Financial Metrics[1]	
LTM Revenue:	$3.1 Billion
Growth:	*(13%)*

Market Data[2]	
Market Cap:	$18.5 Billion
Enterprise Value:	$16.1 Billion
EV / LTM Revenue:	4.8x*

LUMA

Source: (1) Company filings (Financial data as of quarter ended August 28, 2009), (2) FactSet (Market data as of 9/14/2009, day before OMTR acquisition announcement). * Multiple based on latest publicly-available figures as of 9/14/09 (LTM 2Q09)

Looking back to 2009, prior to Adobe acquiring Omniture, it was a $3B business that had declined 13% over the past year (not surprising since the economy was in a recession). But as the leading creative software company, Adobe had a lot of pricing power which allowed them to operate at a nearly 5x revenue multiple and a $16B enterprise business.

Omniture: PR Deal Rationale

"PR" DEAL RATIONALE

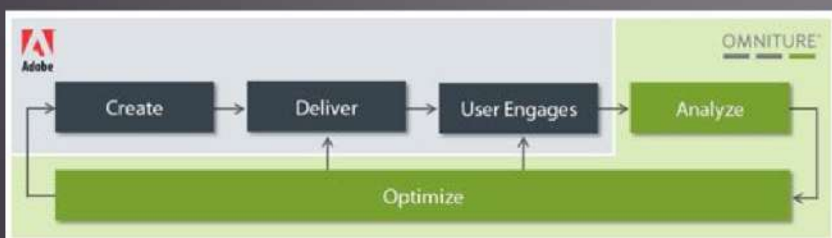
"Merge Left Brain with Right Brain"

FORTUNE

Adobe channels its inner Larry Ellison and goes shopping

The design software maker's announcement to buy Omniture could make it a one-stop shop for web development.

By Michael V. Copeland, senior writer
Last Updated: September 16, 2009: 12:36 PM ET



"Adobe's Creative Suite products and Flash platform help customers create and deliver engaging experiences. The addition of Omniture's online marketing suite will help customers help measure, analyze, and optimize the impact and value of those experiences, creating a continuous feedback loop."

- Shantanu Narayen (CEO, Adobe)

LUMA

Source: Company website, TechCrunch, Fortune, CMS Wire

When Adobe bought Omniture, there was initial confusion around the rationale behind this deal. I was leading corporate development at Omniture at that time, and most of us on the executive team thought the ultimate buyer of Omniture would be a company like IBM or Salesforce – not Adobe. At the time, the stated rationale of the transaction was to connect content creation with optimization and analytics.

Initial Skepticism

THE WALL STREET JOURNAL.

Adobe to Acquire Omniture in $1.8 Billion Deal

By Don Clark and Suzanne Vranica
Updated Sept 16, 2009 11:59 pm ET

*"The announcement came as Adobe reported its **profit fell 29%** and **revenue slid 21%** in its latest quarter as the continuing downturn in media markets slows demand for its traditional software, such as Photoshop and InDesign."*

Source: Market Watch

The deal also came at a time when Adobe had announced that profits were down 29%, and revenue down 21% in the previous quarter, which only increased initial skepticism around the announcement

Initial Skepticism

MarketWatch

Adobe slumps after Omniture report

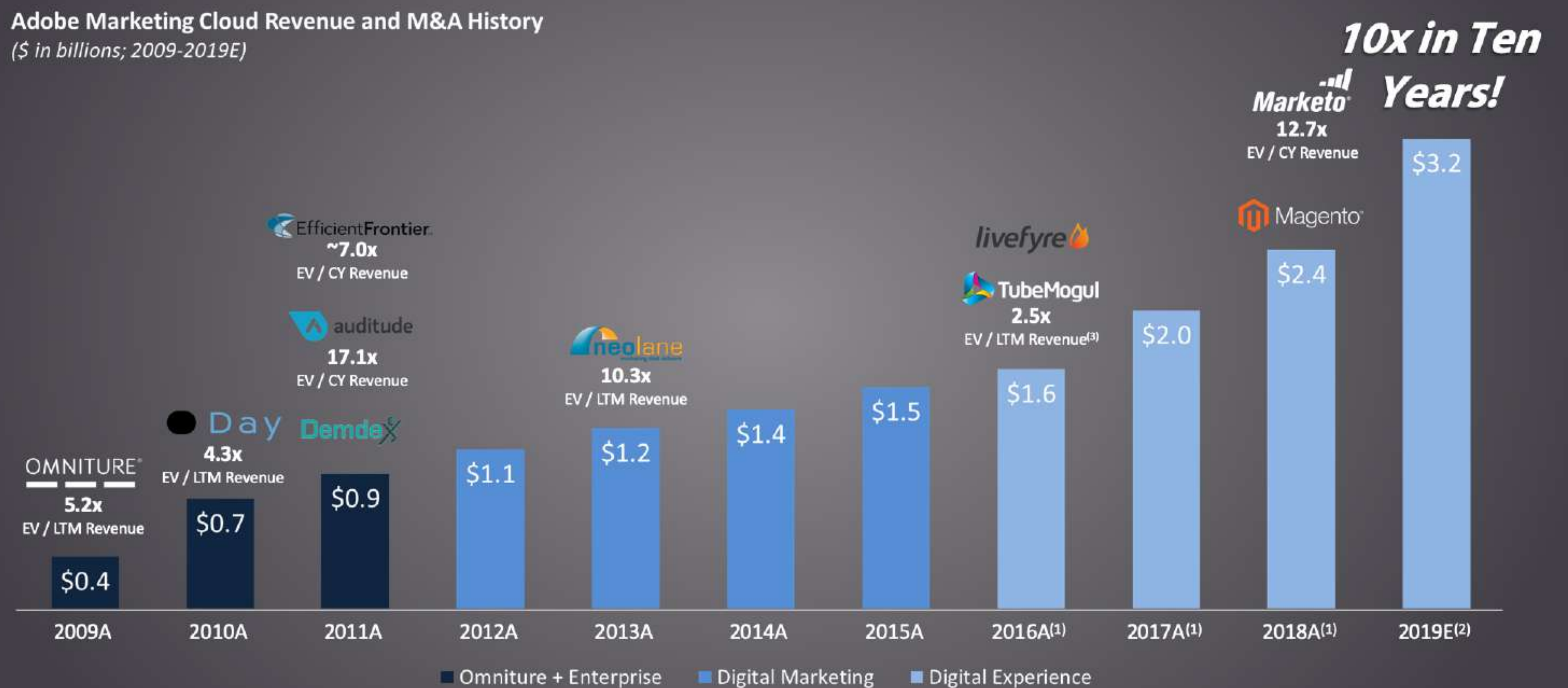
Published: Sept 16, 2009 5:00 p.m. ET

*"At Jefferies & Co., analyst Ross MacMillan cut his rating on Adobe's stock to **hold** from **buy**… MacMillan said the deal was, 'complimentary, but **we don't see material synergy** between the businesses."*

Source: Market Watch

Various market and financial analysts questioned the deal. One Jefferies analyst dropped Adobe from a "buy" to a "hold" and didn't see "material synergy between the businesses." And he wasn't wrong. The combination of the marketing and creative businesses have been run independently. So, let's look at each business, independently, and where they have gone since the Omniture acquisition.

Building the Adobe Marketing Cloud



Source: Company Filings
(1) In FY 2018, moved legacy enterprise offerings (Adobe Connect & Adobe LiveCycle) from the Digital Experience segment into Publishing, which per prior included in the "Digital Marketing" segment
(2) FY2019E revenue estimates per Evercore ISI
(3) Indicative of Net Revenue multiple

The Marketing Cloud has made numerous acquisitions over the past decade and has been incredibly successful in building the business that's now a $3B run rate. This is one of the largest SaaS subscription businesses on the planet and has grown 10x in ten years! They have done an awesome job growing this business, both organically and inorganically.

Omniture: Unstated Deal Rationale

"UNSTATED" DEAL RATIONALE

Pivot from Boxed Software to SaaS Delivery & Pricing

- Bought in-store
- One-time sale of license

Adobe Goes All-In With Subscription-Based Creative Cloud, Will Still Sell CS6 For Now But Will Stop Developing It

Frederic Lardinois @fredericl / 1:06 pm EDT • May 6, 2013

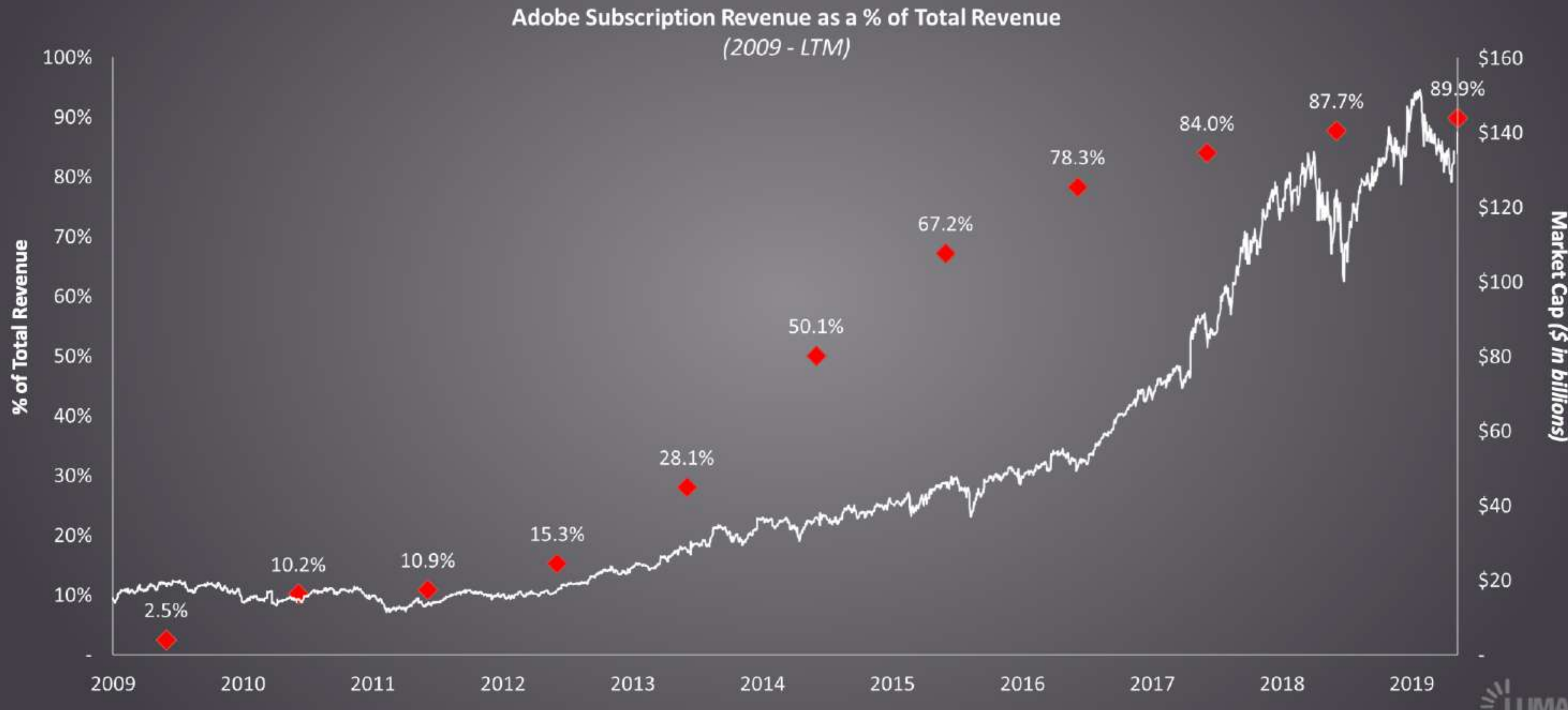
Adobe® Creative Cloud™

- Bought online & downloaded
- Monthly subscription to license

Source: Company website, TechCrunch, ZDNet

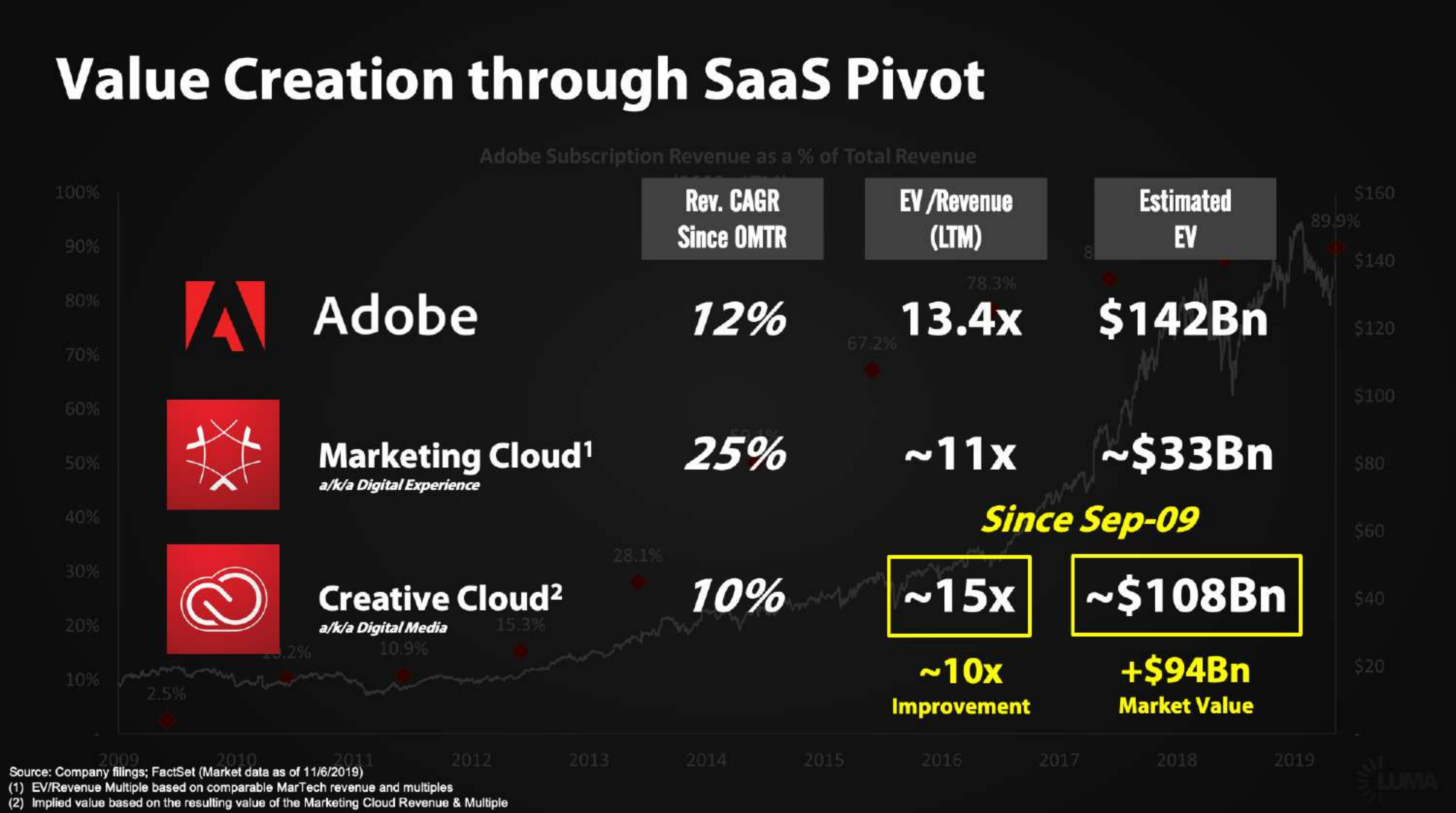
The unstated rationale behind the Omniture acquisition was the pivot in the underlying Adobe creative software business model. Adobe had sold its software through retail as box software. At the time of the deal, two of the largest industry trends was the movement of software to the cloud and to subscription-based pricing. The acquisition of Omniture – which was one of the industry's largest cloud-based subscription models — infused Adobe with the know-how to pivot the business to a SaaS model.

Value Creation through SaaS Pivot

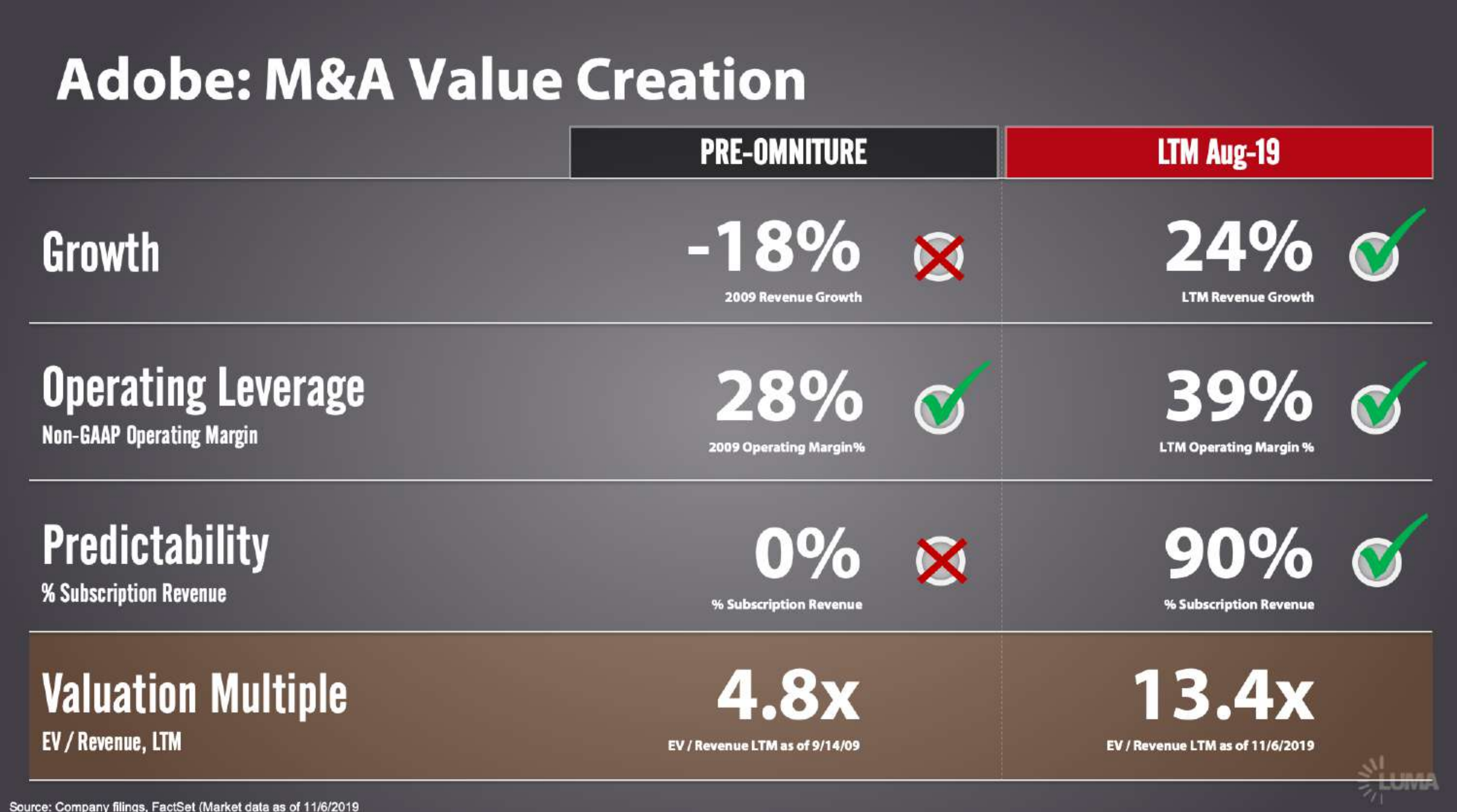


Source: Company filings; FactSet (Market data as of 11/6/2019)

That pivot has created tremendous value for Adobe! Since the Omniture acquisition, Adobe has gone from nearly 0 to 90% subscription revenues, and the market value of the company has followed that same trajectory.



So where is Adobe today? They are now a $142B market cap company with a 13x revenue multiple. Using a comp set, we calculated that the multiple for the Marketing/Experience Cloud would be about 11x, which results in a $33B enterprise value. This would imply that the Creative Cloud is a $108B business with a 15x multiple. This is a staggering 10x multiple improvement, and a $94B enterprise value increase since 2009.



Coming back to the value drivers we touched on earlier, Adobe has improved upon every metric since the acquisition of Omniture. Growth has significantly improved. Operating leverage has increased, and the revenue has become increasingly predictable, which all amounts to a 13.4x valuation multiple as of 2019, increasing from 4.8x in 2009.

Value Creation with M&A: MarTech Case Studies

Adobe

LiveRamp

Now let's dive into LiveRamp.

Value Creation with M&A: MarTech Case Studies

LiveRamp

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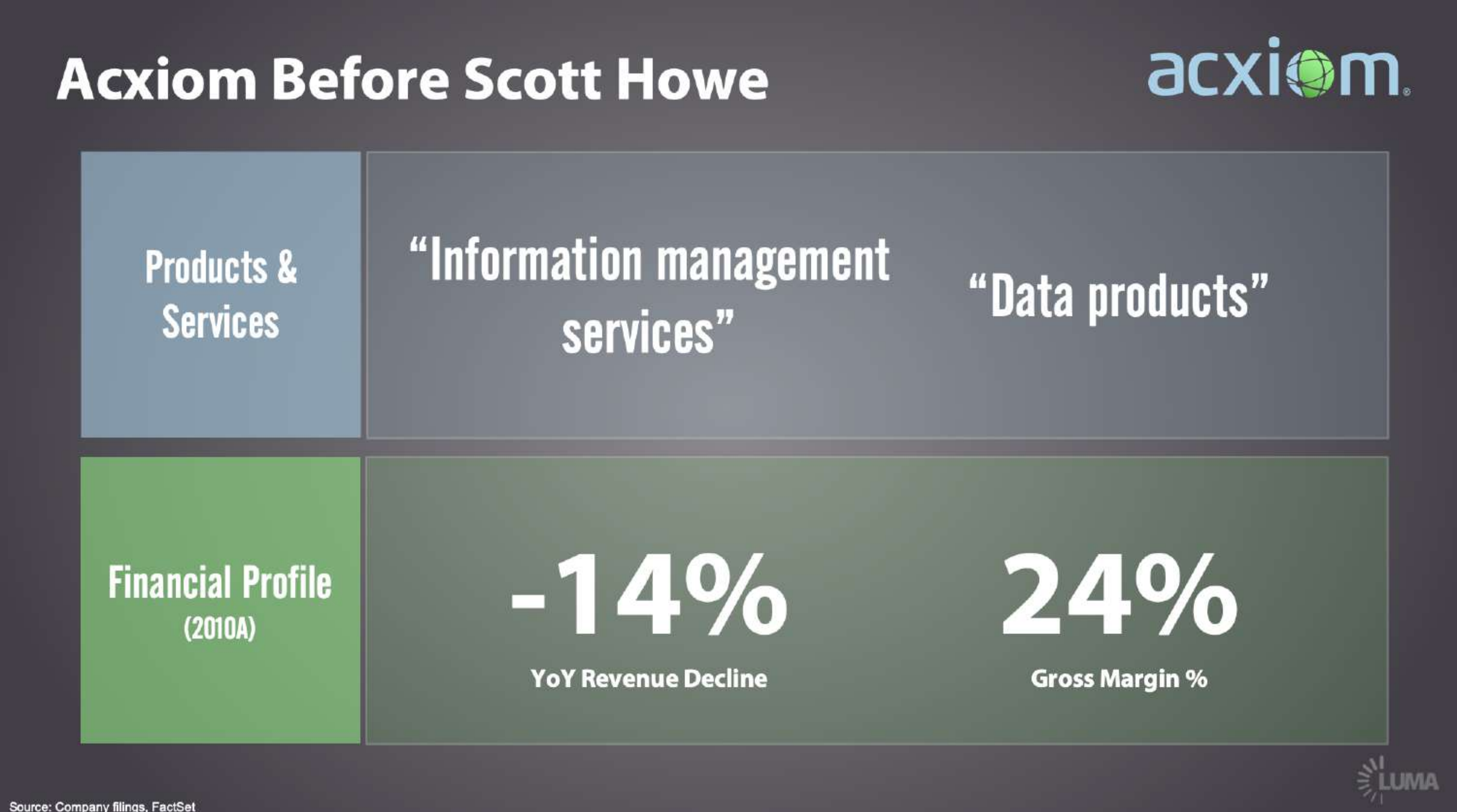
The transformation of LiveRamp has come from the migration of being a services-based business – Acxiom – to a high-growth, technology subscription-based business – LiveRamp.



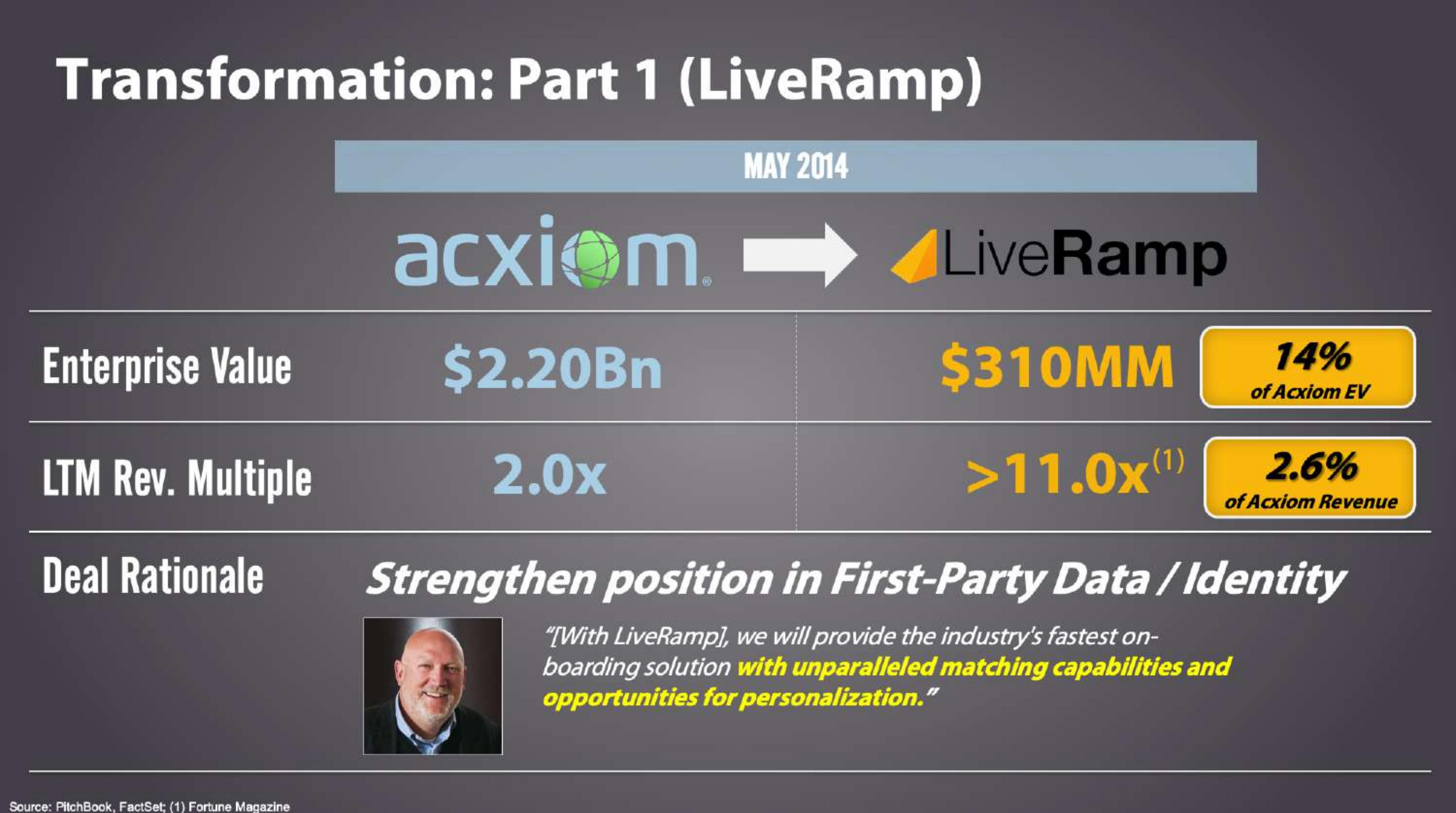
Looking at the Acxiom business pre-Scott Howe, the company focused on offering "information management services" with "data products." The company revenue was down 14% YoY with a Gross Margin of 24% — really highlighting that this was a services business.

Acxiom Before Scott Howe

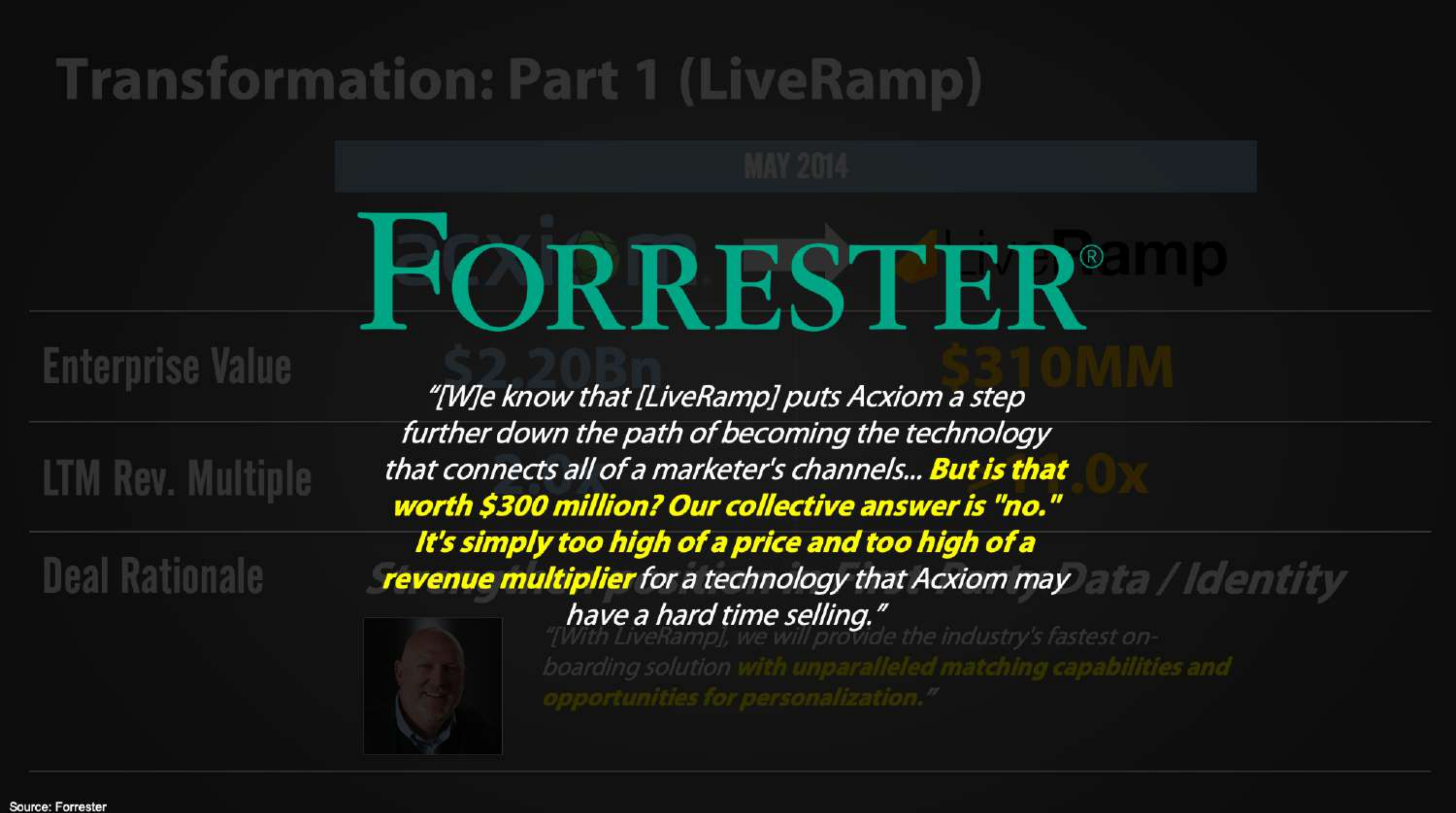
acxiom

Source: Company filings, PitchBook, FactSet

And the stock price had declined 43% between 2006 - 2011, while the overall market index remained relatively flat during that same time period. The turning point came in July 2011 when Scott Howe was named CEO of Acxiom.



Several years later, Acxiom made its first big move by acquiring LiveRamp for $310M. The acquisition – and especially the price tag of the deal – faced initial scrutiny since Acxiom paid 14% of its Enterprise Value for a company that only generated 3% of Acxiom's total revenue. But the deal was really all about accessing first-party and moving into the identity space.



While there was pushback that Acxiom overpaid for LiveRamp, there were also questions around whether Acxiom would be able to sell this product.

Doubled Down on Identity Leadership Position

DECEMBER 2016

acxiom → **$140MM** → arbor, CIRCULATE

adexchanger

*"Deterministic reach is critical if LiveRamp wants to compete with Facebook and Google for people-based marketing budgets… LiveRamp claims the addition of Arbor and Circulate **will provide a 20-30% boost in deterministic mobile match rates** and a **10-20% boost in deterministic online match rates**, which translates into the ability to reach several million more real people across digital channels."*

Source: Company press release, PitchBook, AdExchanger

Acxiom then doubled-down on their identity position, acquiring Arbor and Circulate for a combined $140M, in order to boost match rates.

With these acquisitions, Acxiom now consisted of two distinct business units that appealed to two different types of investors. There was the mature, services-based business with Acxiom – which would appeal to value investors. And there was the high-growth SaaS-based business in LiveRamp – that would appeal to growth investors. This was a difficult spot to be in because from the investor's perspective, they are trying to determine "is it fish or is it fowl?"

To solve for this problem, the company divested the traditional Acxiom business for $2.3B dollars and, in doing so, divested 75% of its revenue.

Transformation: Part 2 (Acxiom Divestiture)

OCTOBER 2018

IPG → $2.3BN → acxiom

LiveRamp VALUE CREATION

	PRE-ANNOUNCEMENT	CLOSING	VALUE CREATED
Implied Value(1)	~$0.5BN	~$2.6BN	*~$2.1BN*
Implied Rev Multiple(1) AV/NTM Revenue	~2x	~9x	*~7x*

Source: Morgan Stanley; (1) Assumes AMS value of $2.3 billion; based on street estimates

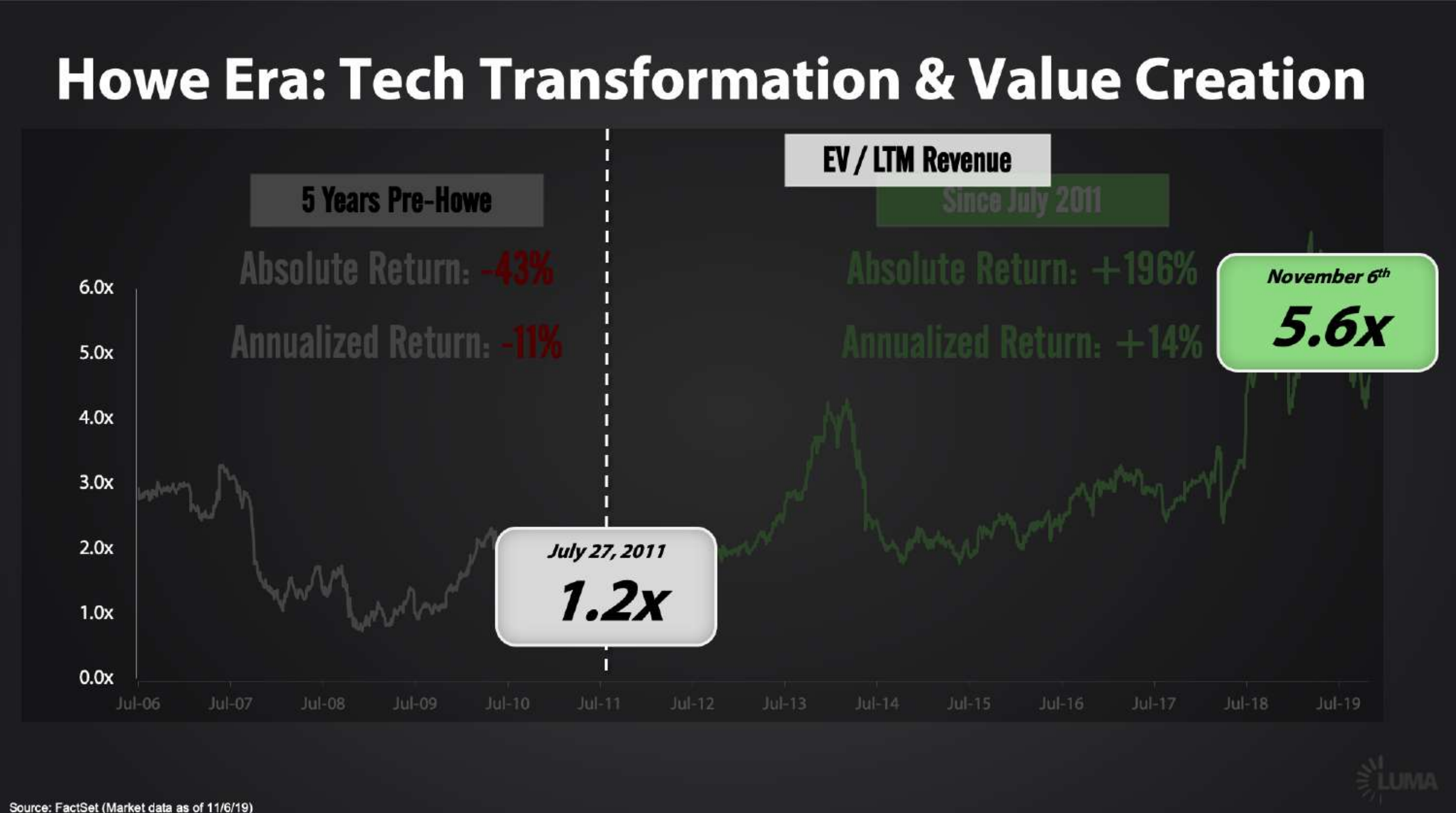
But this unlocked incredible value. According to a Morgan Stanley study, prior to the announcement, the market valued LiveRamp at $.5B with a 2x multiple. Following the divestiture, LiveRamp traded up to a 9x multiple, gaining $2.1B in value and a 7x multiple increase.

Howe Era: Tech Transformation & Value Creation

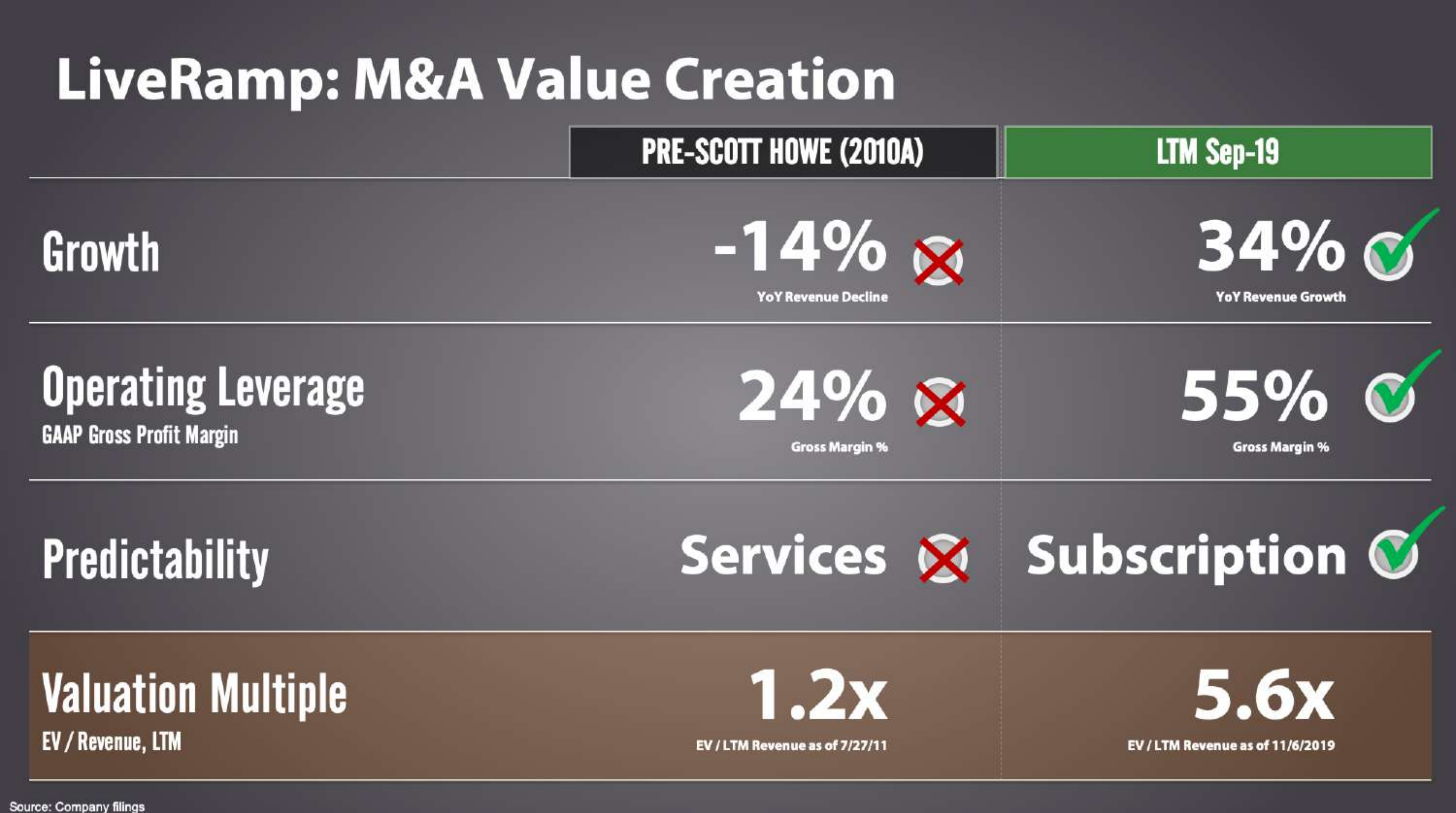
LUMA

Source: FactSet (Market data as of 11/6/19)

Looking at the stock price, we spoke earlier how it was in decline the five years prior to Scott Howe joining. Since then, the stock has grown 196% from 2011 - 2019 and 14% when annualized.



And from a multiple expansion perspective, 1.2x in 2011 to now 5.6x. Just incredible growth and value added during that time period.



Looking back at this chart again, similar to what we saw with Adobe, all the drivers have seen significant increases and improvement, which led to the significant increase in LiveRamp's revenue multiple.

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CORPORATE PARTNERS

Google LinkedIn LiveRamp Quad Spotify verizon media

The mission of the LUMA Corporate Partners program is to provide education, insights and market development to all constituents of the digital ecosystem. LUMA's Corporate Partners are comprised of leading media, marketing and technology companies for whom LUMA's leadership team provides strategic advice on the latest industry trends and a fresh perspective to aid in making critical growth decisions. LUMA's proprietary insights, research, content and events initiatives afford personalized guidance and education at leadership off-sites, teach-ins and customer events. If LUMA can help your organization sort through this complicated and dynamic sector, contact:

Gayle Meyers, Head of Strategic Partnerships — Gayle@lumapartners.com.