

# Business Transformation Through M&A in 2020

*(Or Any Year)*



**Brian Andersen**  
Partner



# Agenda



## 1. Value Creation Through M&A

## 2. Ecosystem Considerations

- Ad Tech
- MarTech

# Value Creation Through M&A



# The Goal of M&A?

## Increase Shareholder Value



### Primary Valuation Drivers:

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

# Value Creation Through M&A: Case Studies



Adobe



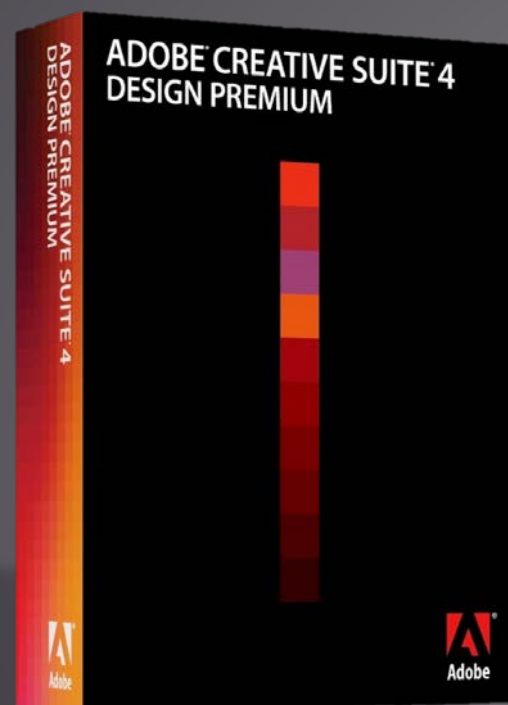
# Value Creation Through M&A: Case Studies



*The Making of a Marketing Cloud and  
a Transformation to Subscriptions*



# Adobe Pre-Omniture (2009)



## Box Software Products *Sold Through Retail*

### Financial Metrics<sup>1</sup>

<b>LTM Revenue:</b>	\$3.1 Billion
<i>Growth:</i>	<i>(13%)</i>

### Market Data<sup>2</sup>

<b>Market Cap:</b>	\$18.5 Billion
<b>Enterprise Value:</b>	\$16.1 Billion
<b>EV / LTM Revenue:</b>	4.8x*

# Omniture: PR Deal Rationale

## "PR" DEAL RATIONALE

*"Merge Left Brain with Right Brain"*

### FORTUNE

#### Adobe channels its inner Larry Ellison and goes shopping

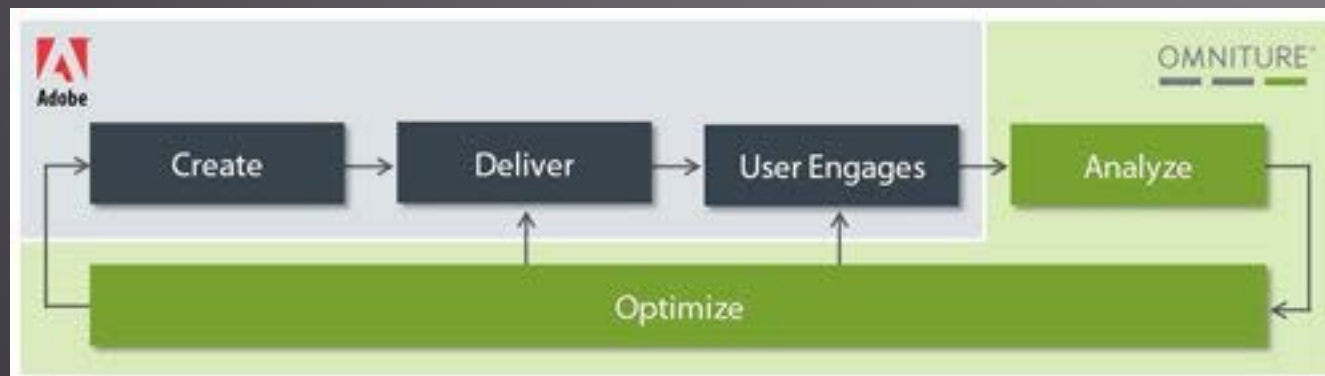
The design software maker's announcement to buy Omniture could make it a one-stop shop for web development.

By Michael V. Copeland, senior writer

Last Updated: September 16, 2009: 12:36 PM ET

*"Adobe's Creative Suite products and Flash platform help customer 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)





# 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."*

# Initial Skepticism

**Market**Watch

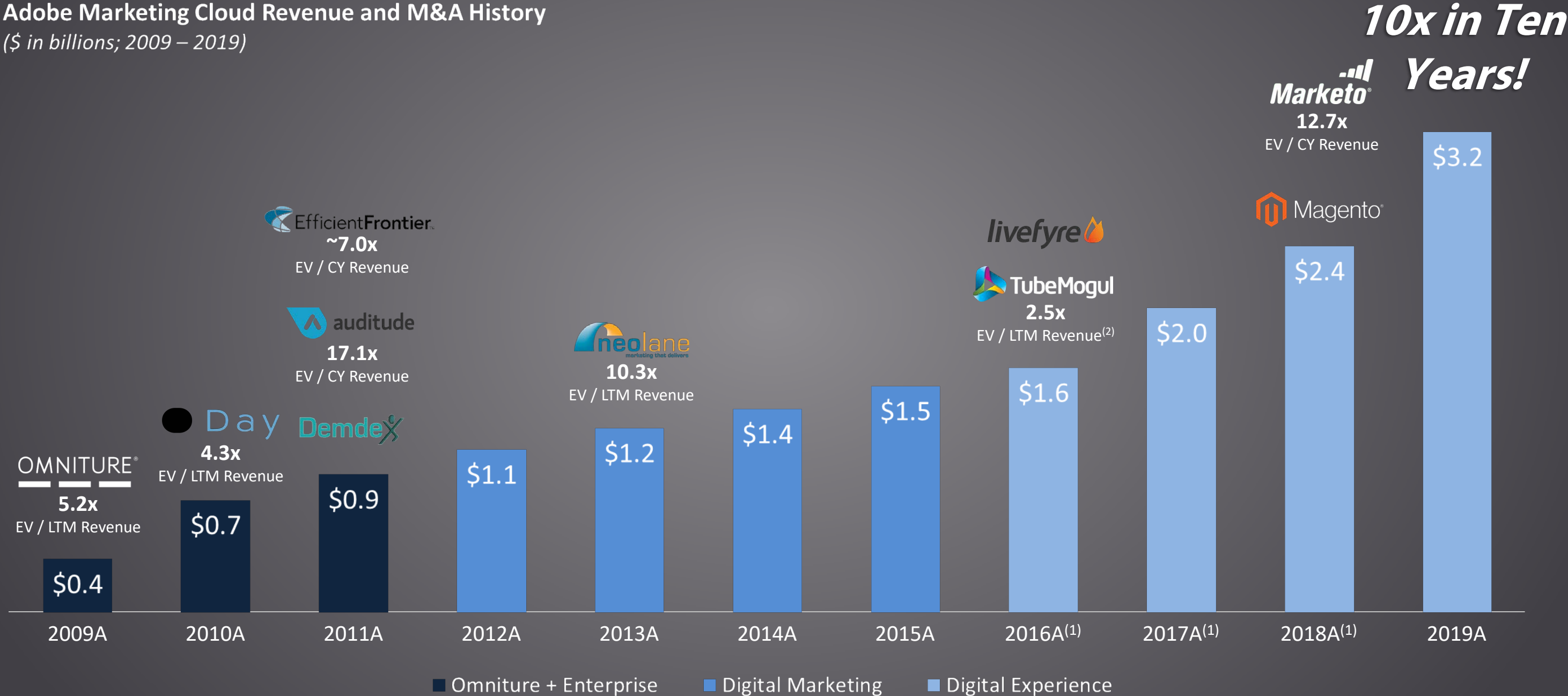
## Adobe slumps after Omniture report

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.”*

# Building the Adobe Marketing Cloud

Adobe Marketing Cloud Revenue and M&A History  
(\$ in billions; 2009 – 2019)



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) Indicative of Net Revenue multiple



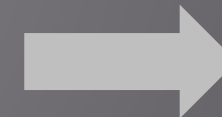
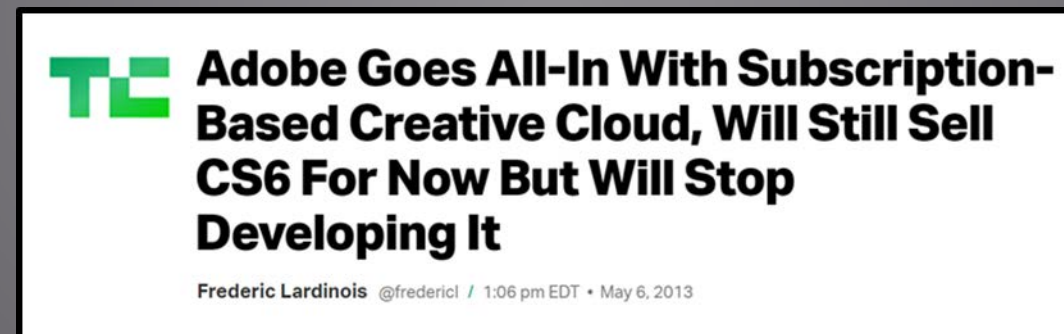
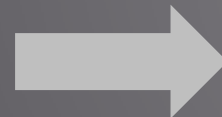
# Omniture: Unstated Deal Rationale

## “UNSTATED” DEAL RATIONALE

*Pivot from Boxed Software to SaaS  
Delivery & Pricing*



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

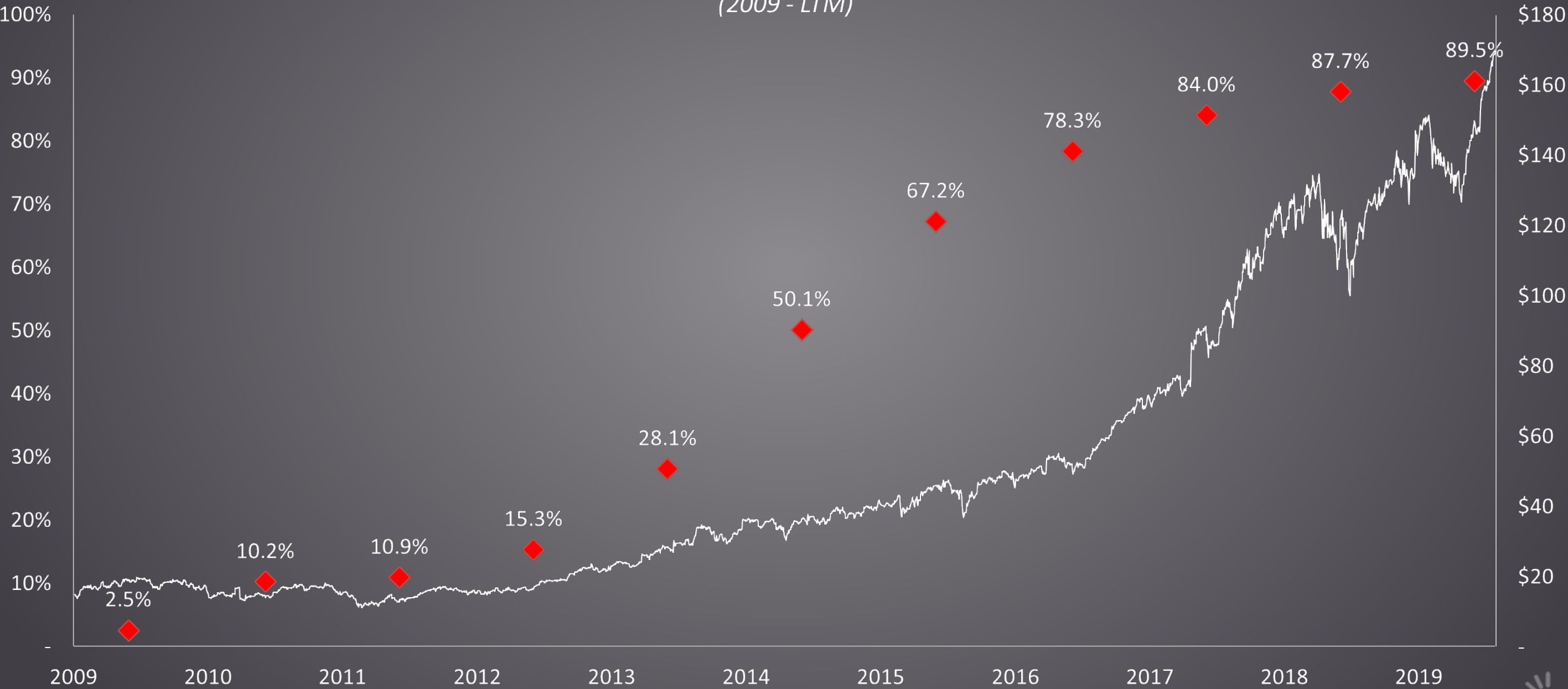


- Bought online & downloaded
- Monthly subscription to license



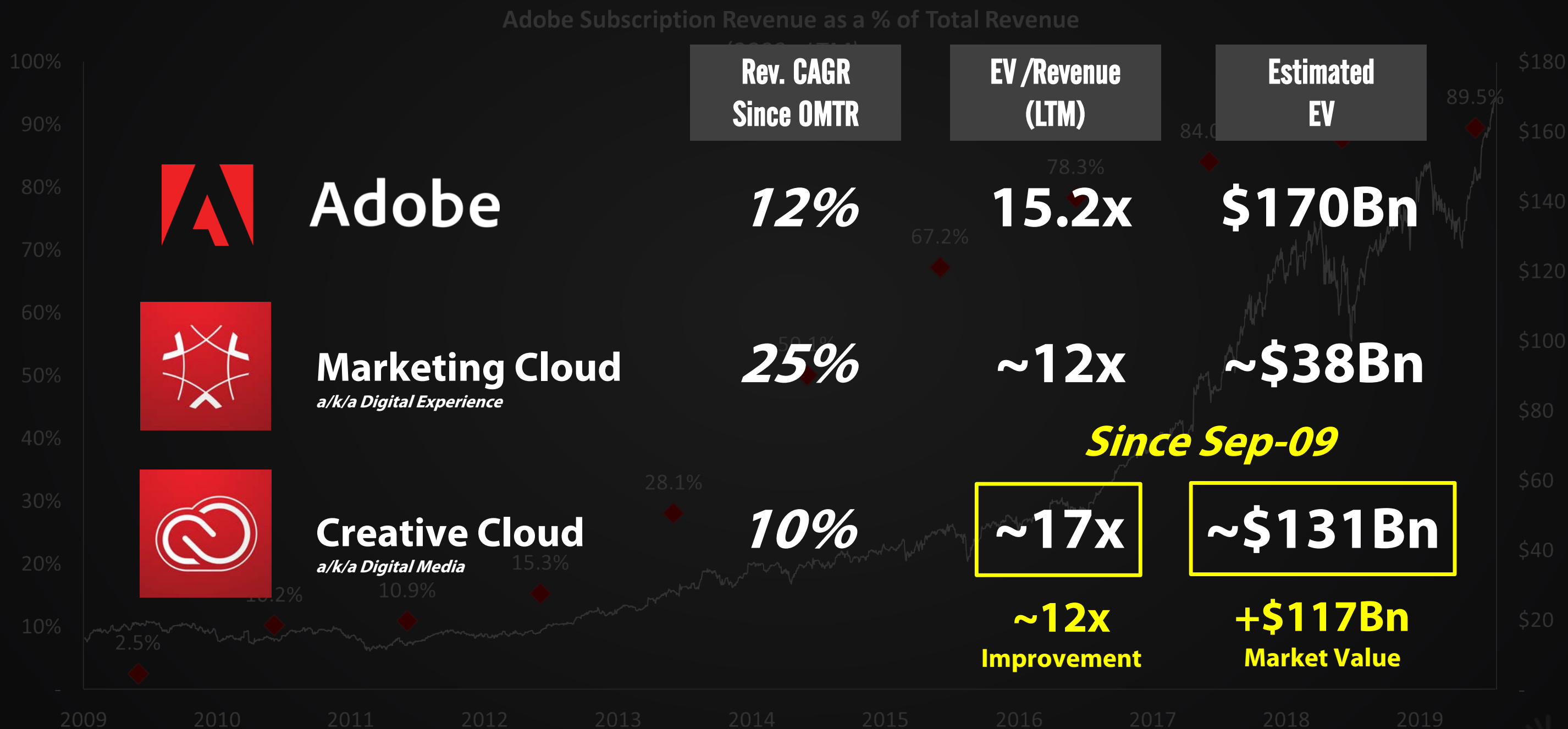
# Value Creation through SaaS Pivot

Adobe Subscription Revenue as a % of Total Revenue  
(2009 - LTM)



Source: Company filings; FactSet (Market data as of 01/24/2020)

# Value Creation through SaaS Pivot

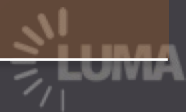


Source: Company filings; FactSet (Market data as of 01/24/2020)

# Adobe: M&A Value Creation

	PRE-OMNITURE	2019A
<b>Growth</b>	<b>-18%</b> 2009 Revenue Growth	<b>24%</b> 2019 Revenue Growth
<b>Operating Leverage</b> Non-GAAP Operating Margin	<b>28%</b> 2009 Operating Margin%	<b>40%</b> 2019 Operating Margin %
<b>Predictability</b> % Subscription Revenue	<b>0%</b> % Subscription Revenue	<b>89%</b> % Subscription Revenue
<b>Valuation Multiple</b> EV / Revenue, LTM	<b>4.8x</b> EV / LTM Revenue as of 9/14/09	<b>15.2x</b> EV / 2019 Revenue as of 01/24/20

Source: Company filings, FactSet (Market data as of 01/24/2020)



# Value Creation Through M&A: Case Studies



Adobe





# Value Creation Through M&A: Case Studies



*Successful Pivot from Mature Services to High-Growth Software*

acxiom.

LiveRamp

CIRCULATE

arbor

acxiom.

LiveRamp

# Acxiom Before Scott Howe



Products &  
Services

“Information management  
services”

“Data products”

Financial Profile  
(2010A)

**-14%**

YoY Revenue Decline

**24%**

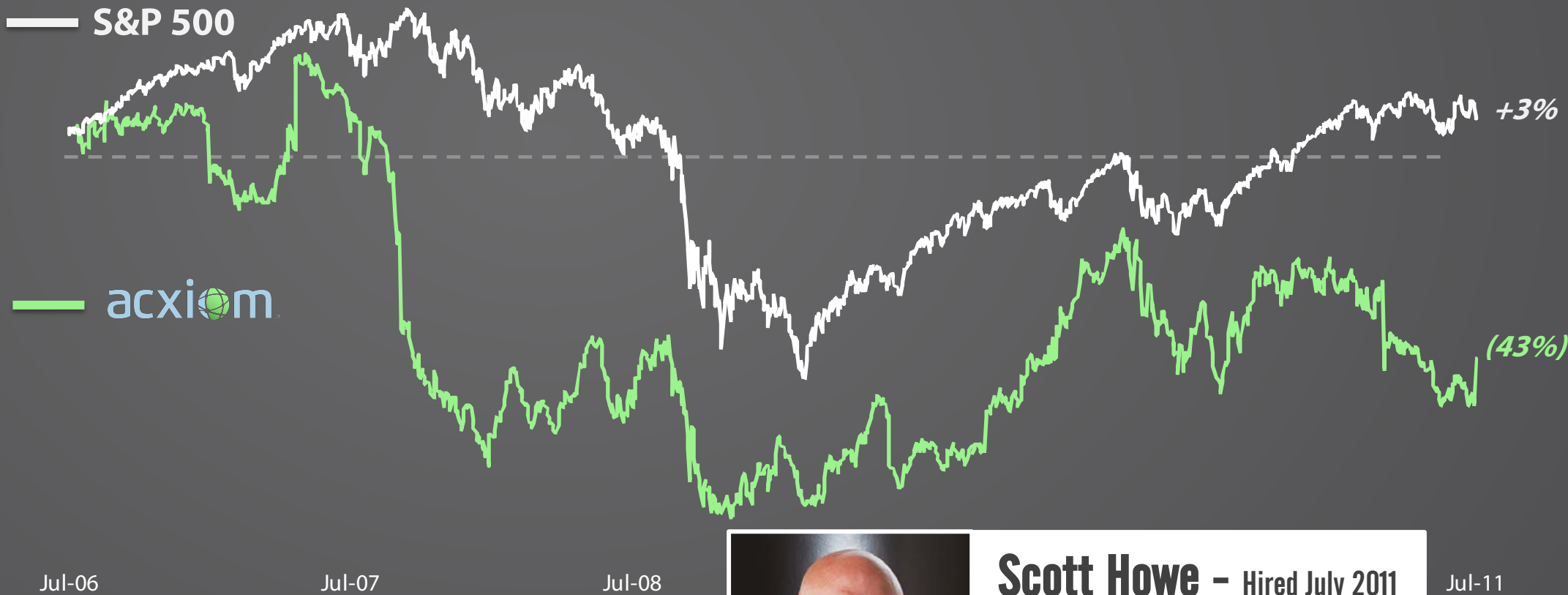
Gross Margin %



# Acxiom Before Scott Howe



**Market  
Performance**  
(5 Years Prior to Scott  
Howe's Hiring)



**Scott Howe** – Hired July 2011



# Transformation: Part 1 (LiveRamp)

MAY 2014

acxiom   LiveRamp

Enterprise Value

\$2.20Bn

\$310MM

**14%**  
of Acxiom EV

LTM Rev. Multiple

2.0x

>11.0x<sup>(1)</sup>

**2.6%**  
of Acxiom Revenue

Deal Rationale

*Strengthen position in First-Party Data / Identity*



*"[With LiveRamp], we will provide the industry's fastest on-boarding solution **with unparalleled matching capabilities and opportunities for personalization.**"*



# Transformation: Part 1 (LiveRamp)

MAY 2014

# FORRESTER®

Enterprise Value

\$2.20Bn

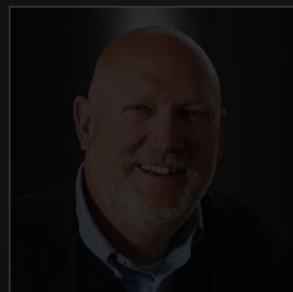
\$310MM

LTM Rev. Multiple

*"[W]e know that [LiveRamp] puts Acxiom a step further down the path of becoming the technology that connects all of a marketer's channels... **But is that worth \$300 million? Our collective answer is "no."***

Deal Rationale

***It's simply too high of a price and too high of a revenue multiplier** for a technology that Acxiom may have a hard time selling."*



*"[With LiveRamp], we will provide the industry's fastest onboarding solution **with unparalleled matching capabilities and opportunities for personalization.**"*

# Doubled Down on Identity Leadership Position

DECEMBER 2016

acxiom<sup>®</sup>

\$140MM

arbor

CIRCULATE



*"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."*

# Acxiom: a Mixed Story

*Now, Acxiom consisted of two, distinct business units:*



Mature, services business



High-growth, subscription software business

***Investors: is it Fish or is it Fowl?***

# Transformation: Part 2 (Acxiom Divestiture)

OCTOBER 2018



\$2.3BN



LTM Revenue

As of June 30, 2018

\$696MM

75% % of Revenue Pre-Divestiture

Deal Rationale

(From LiveRamp's perspective)

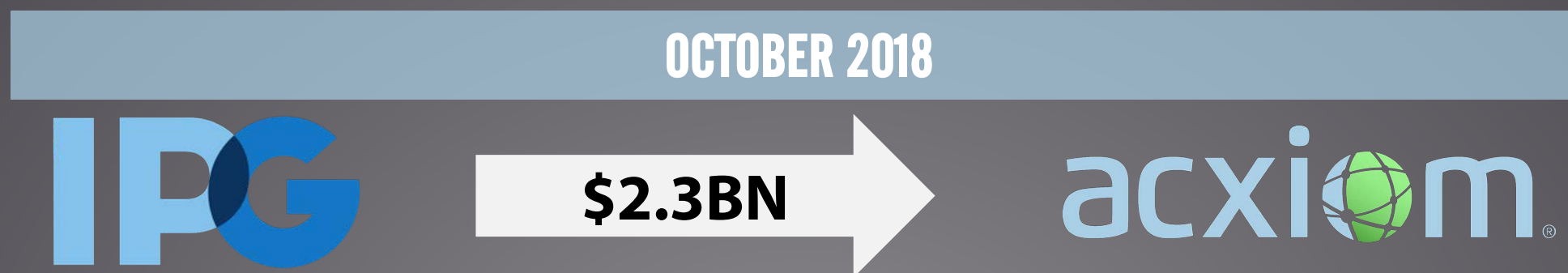
*Pivot from Services;  
Focus on Tech*



*"We are now going to be armed with a really attractive balance sheet, which is going to **allow us to accelerate innovation at LiveRamp, go win more clients, do more integrations.**"*



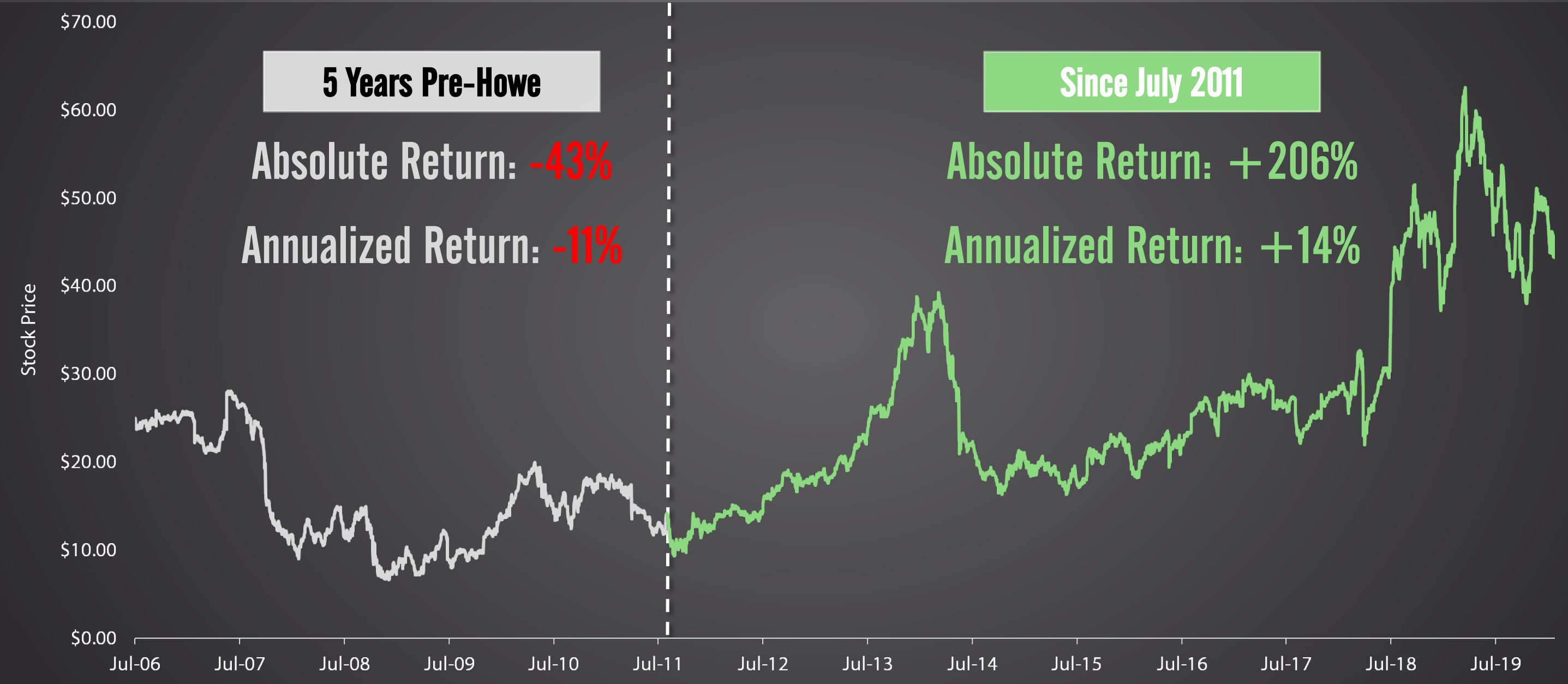
# Transformation: Part 2 (Acxiom Divestiture)



## VALUE CREATION

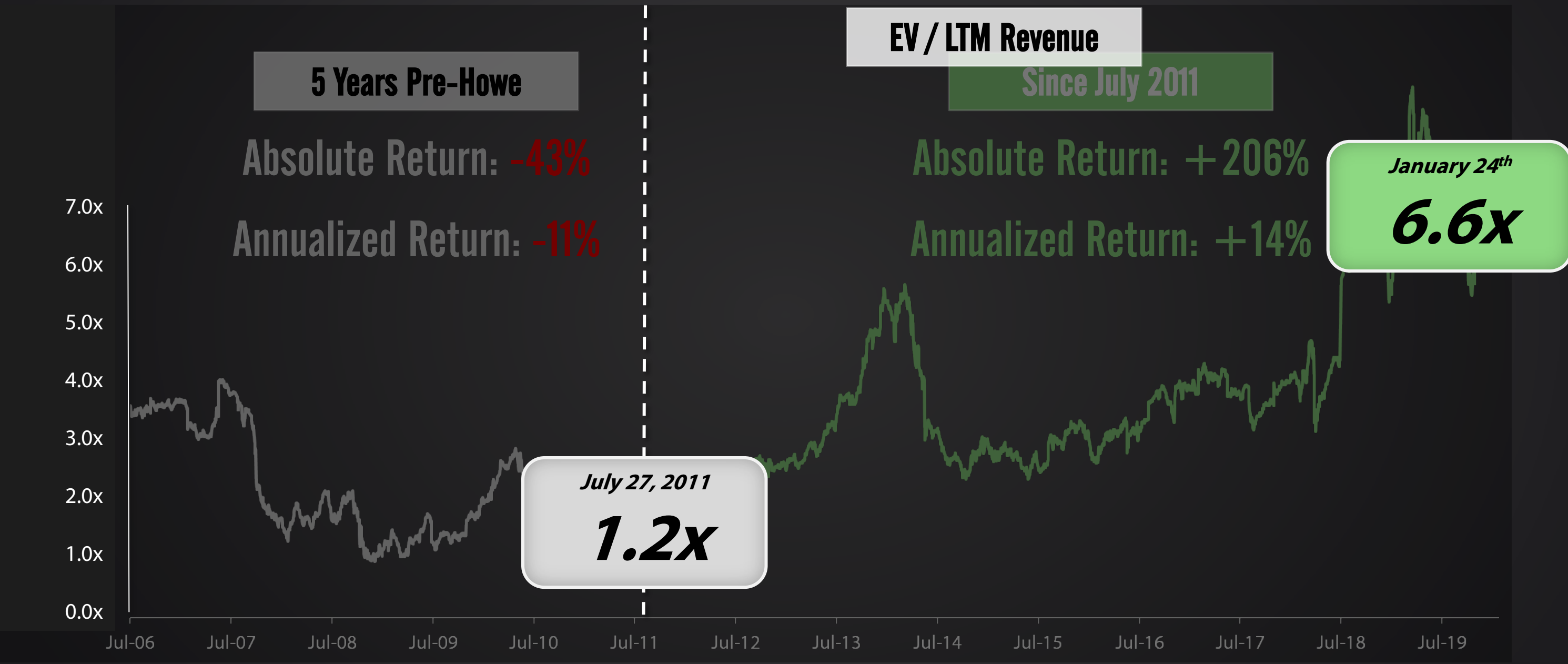
	PRE-ANNOUNCEMENT	CLOSING	VALUE CREATED
Implied Value <sup>(1)</sup>	~\$0.5BN	~\$2.6BN	~\$2.1BN
Implied Rev Multiple <sup>(1)</sup> AV/NTM Revenue	~2x	~9x	~7x

# Howe Era: Tech Transformation & Value Creation



Source: FactSet (Market data as of 1/24/2020)

# Howe Era: Tech Transformation & Value Creation



Source: FactSet (Market data as of 1/24/2020)




# LiveRamp: M&A Value Creation

PRE-SCOTT HOWE (2010A)


LTM Sep-19

Growth

-14%   
YoY Revenue Decline

34%   
YoY Revenue Growth

Operating Leverage  
GAAP Gross Profit Margin

24%   
Gross Margin %

55%   
Gross Margin %

Predictability

Services 

Subscription 

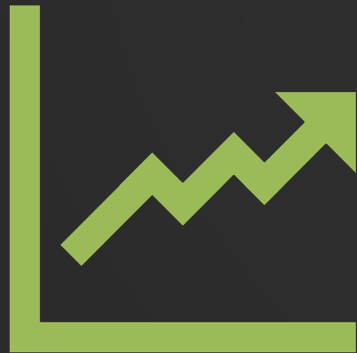
Valuation Multiple  
EV / Revenue, LTM

1.2x  
EV / LTM Revenue as of 7/27/11

6.6x  
EV / LTM Revenue as of 1/24/2020

# Value Created Through M&A Key Takeaways

## Increase Shareholder Value



### Primary Valuation Drivers:

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



# **Ad Tech: Google Chrome & Third Party Cookies**

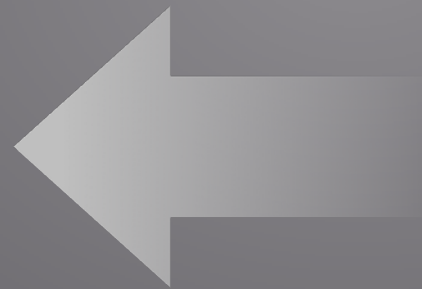
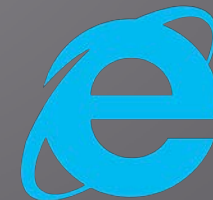
# The Inherent Ad Value Proposition Has Changed

**FREE** >< **ATTENTION**  
+  
**DATA**

# Browsers Moving Towards Explicit Consent

EXPLICIT  
CONSENT

IMPLICIT  
CONSENT



# But Then...

EXPLICIT  
CONSENT

IMPLICIT  
CONSENT



# What Happened?



Chromium Blog

Building a more private web: A path towards making third party cookies obsolete

Tuesday, January 14, 2020

- **On January 14th, Google Chrome announced that the browser will phase out support for third party cookies in two years**
- **Instead of cookies, Chrome's "Privacy Sandbox" will enable a "privacy preserving... ad-supported web"**



# This is a Big Deal



## Google Chrome Will Drop Third-Party Cookies In 2 Years

by Sarah Sluis // Tuesday, January 14th, 2020 - 11:00 am

**DIGIDAY**

Google plans to kill off third-party cookies in Chrome 'within 2 years'

JANUARY 14, 2020 by Lara O'Reilly



## Google wants to phase out support for third-party cookies in Chrome within two years

Frederic Lardinois @fredericl / 11:00 am EST • January 14, 2020

**BUSINESS INSIDER**

Google cutting web cookies, ending lucrative tracking tool for advertisers

Jan 14, 2020

**ADWEEK**

## Google Chrome Will Phase Out Third-Party Cookies by 2022

By Ronan Shields | January 14, 2020



## Google, You Finally Really Did It

by AdExchanger // Tuesday, January 14th, 2020 - 12:18 pm



## What's In Google's Privacy Sandbox? Nothing, For Now

by Allison Schiff // Wednesday, January 15th, 2020 - 12:35 am



## How Will Publishers Fare As Google Moves To Kill Cookies In Chrome?

by AdExchanger // Posted on Thursday, January 16th, 2020 at 2:00 pm.



## 4 Ways The Death Of The Cookie In Chrome Could Affect Marketers

by Alison Weissbrot // Posted on Friday, January 17th, 2020 at 12:10 am.

**DIGIDAY**

How publishers are planning for the end of the third-party cookie

JANUARY 22, 2020 by Lucinda Southern



# This is a Big Deal

The architecture of the web that has powered targeting and measurement will fundamentally change

~~1:1 targeting on the open web~~



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DIGIDAY

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BUSINESS INSIDER

Google cutting web cookies could be a game-changer for advertisers

Jan 14, 2020

ADWEEK

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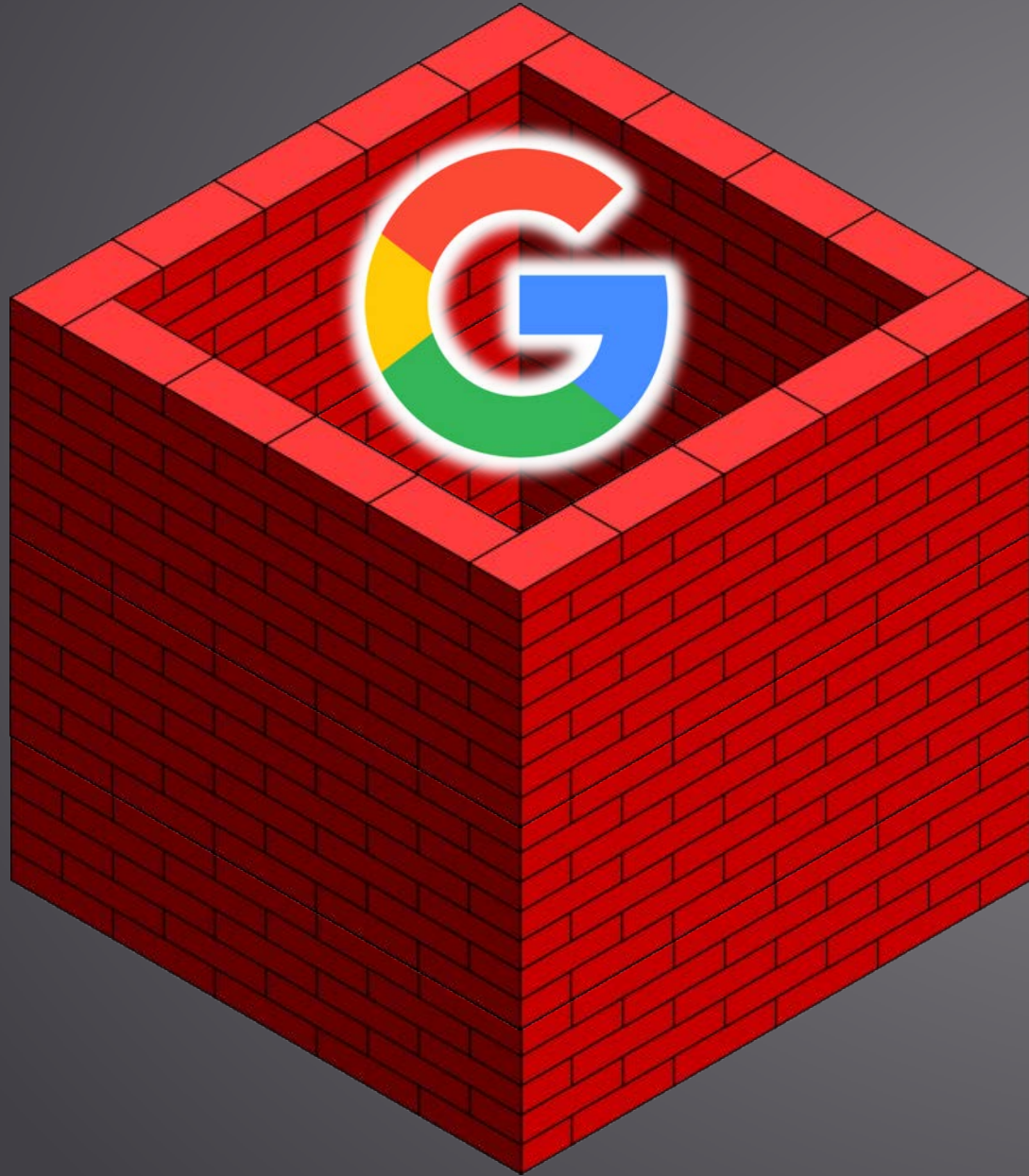
# The Privacy Sandbox



- "A secure environment for personalization that also protects user privacy"
- **Functionality:**
  - Conversion measurement
  - "Federated Learning of Cohorts (FLoCs)" - segment-based targeting
  - "Trust token" - to combat fraud
  - "Privacy budget" - to limit personal information collection



# The Privacy Sandbox... Extends the Walls



~~Third Party Cookies~~

iOS App Install Data Restriction

DoubleClick ID Limitation

# Market Impact



**Let's start with the deadpool:**

*View-through attribution:* ***dead.***

*Third-party data:* ***dead.***

*DMPs:* ***dead.***

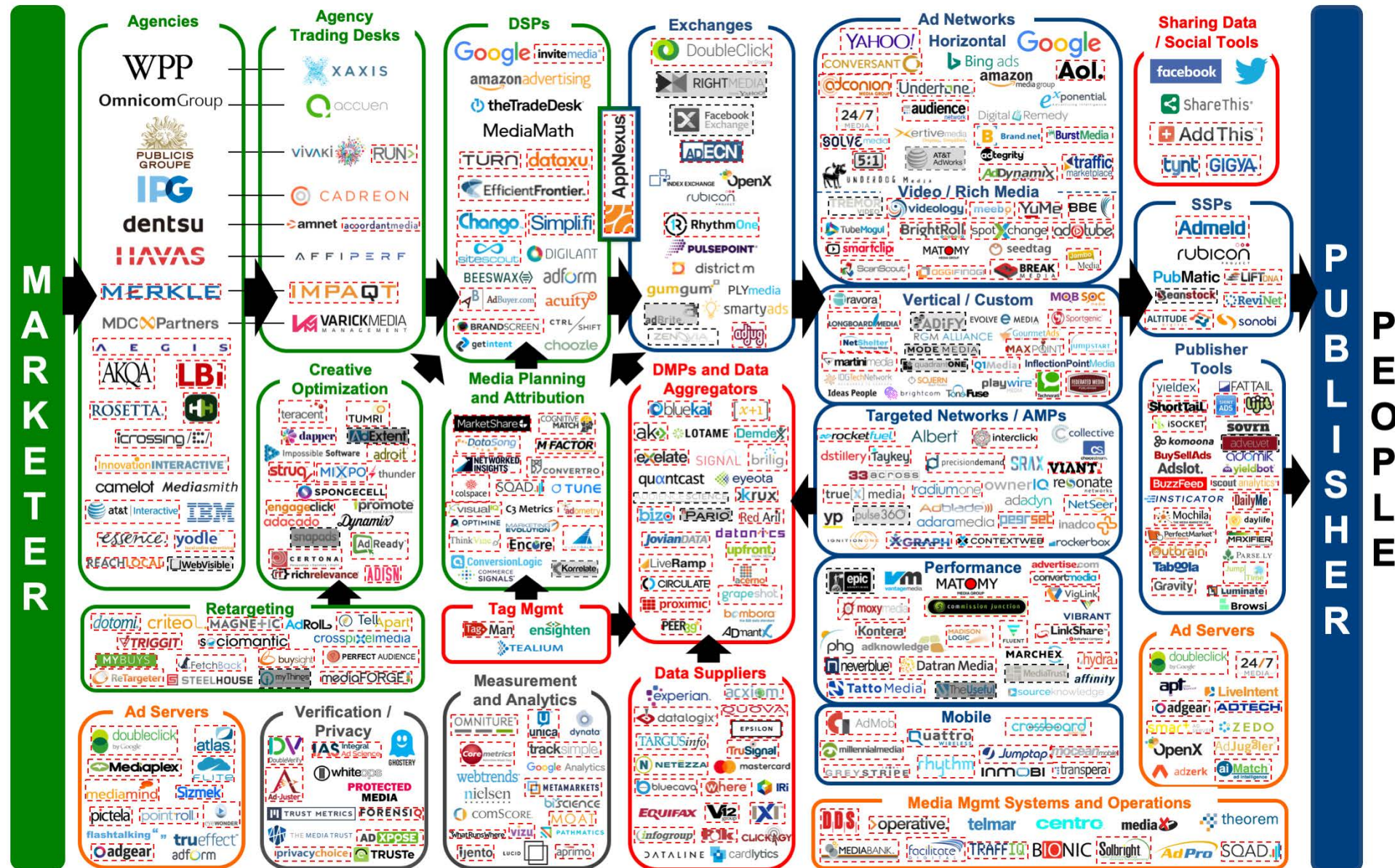
*Multitouch attribution:* ***dead.***

BEESWAX  Ari Paparo, CEO



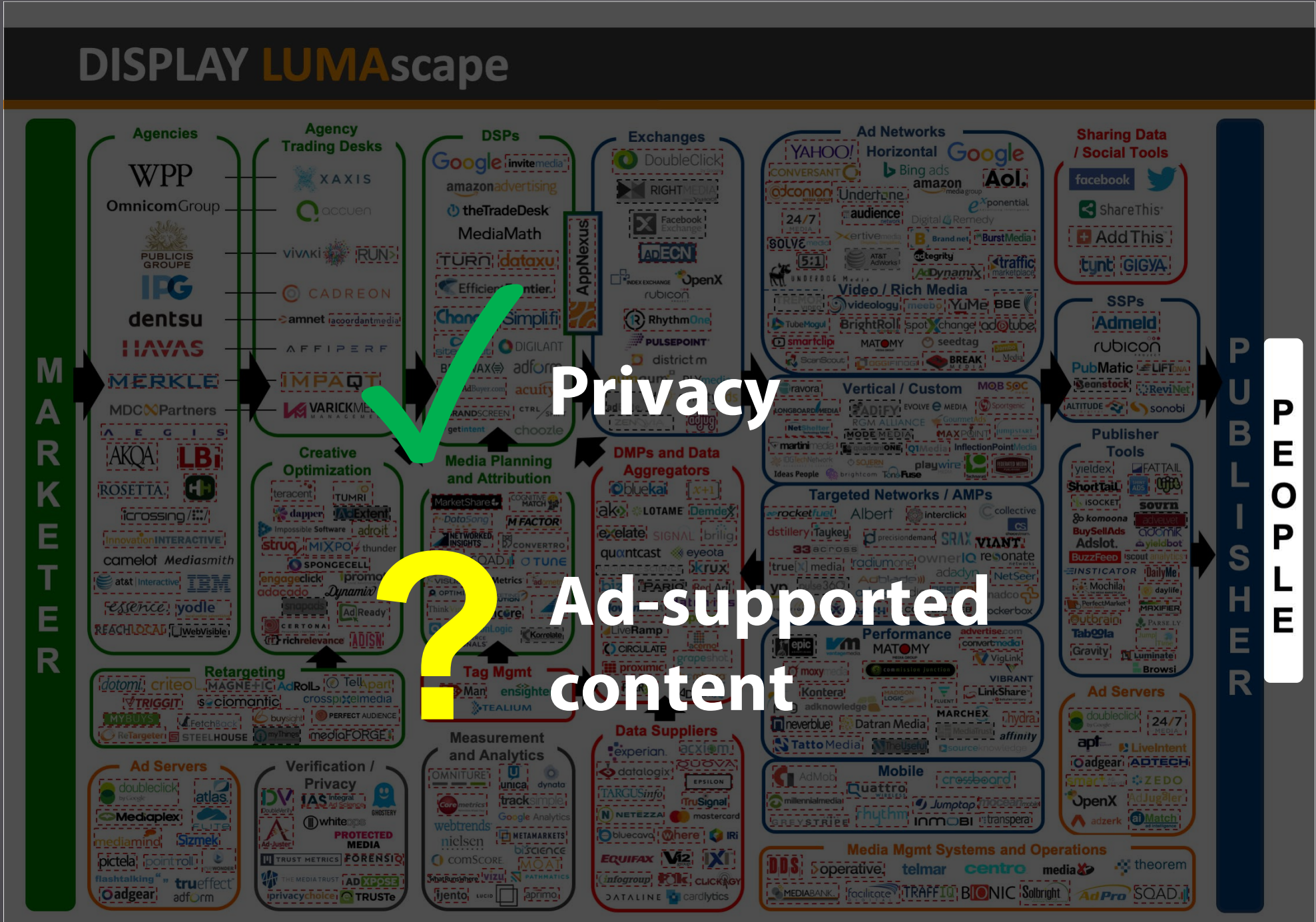
# Market Impact

## DISPLAY LUMAscape



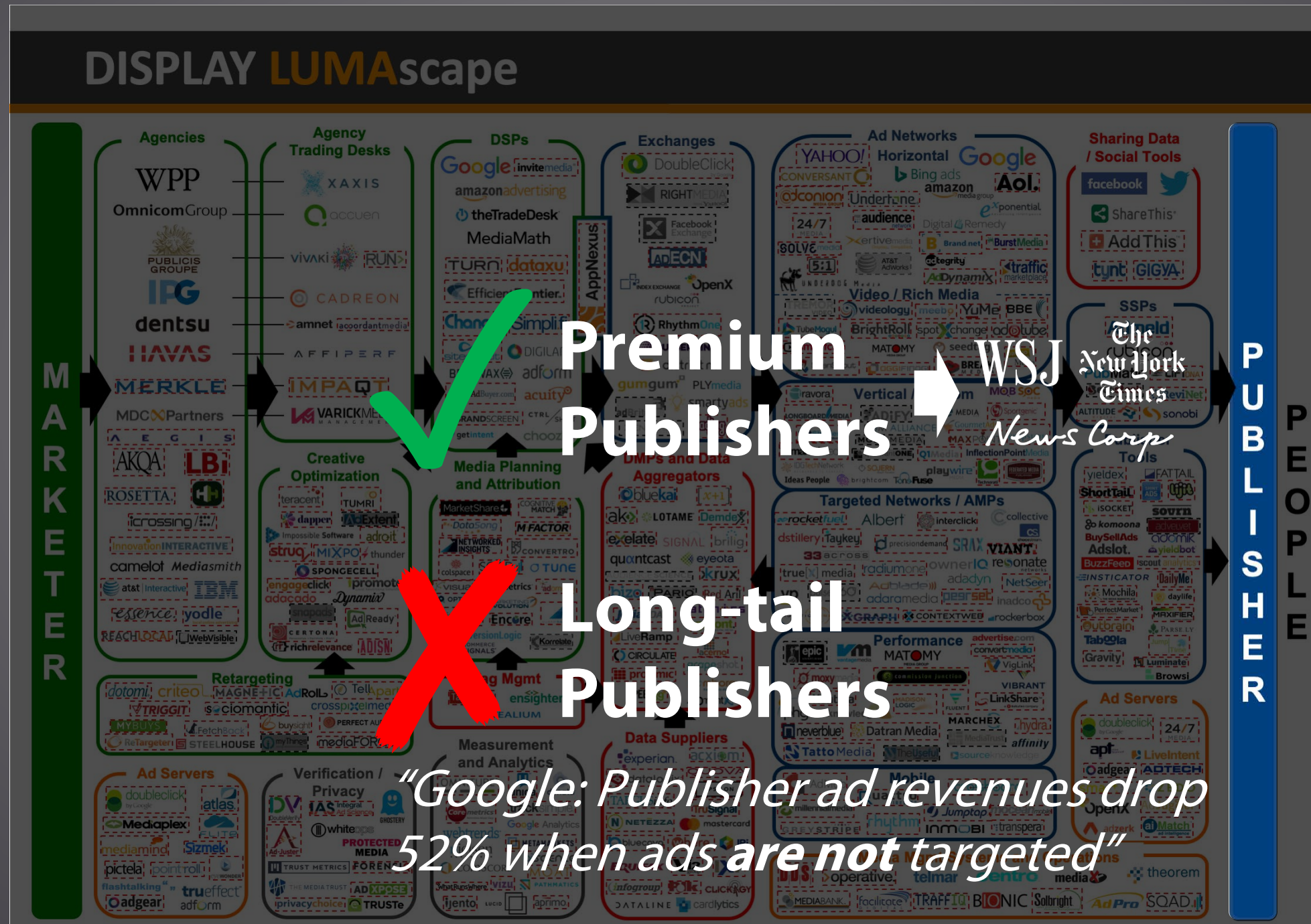


# Market Impact: Consumers



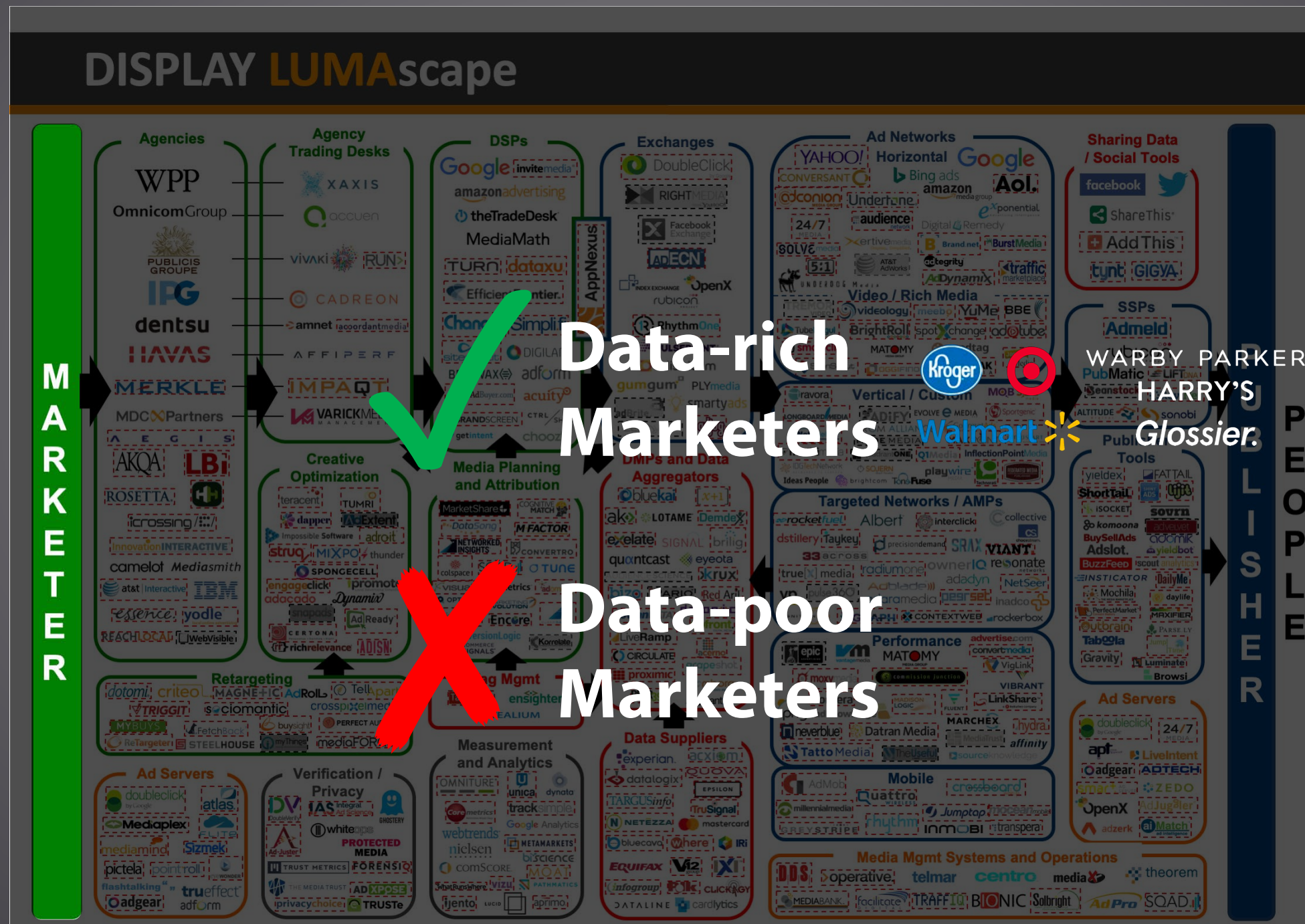


# Market Impact: Publishers



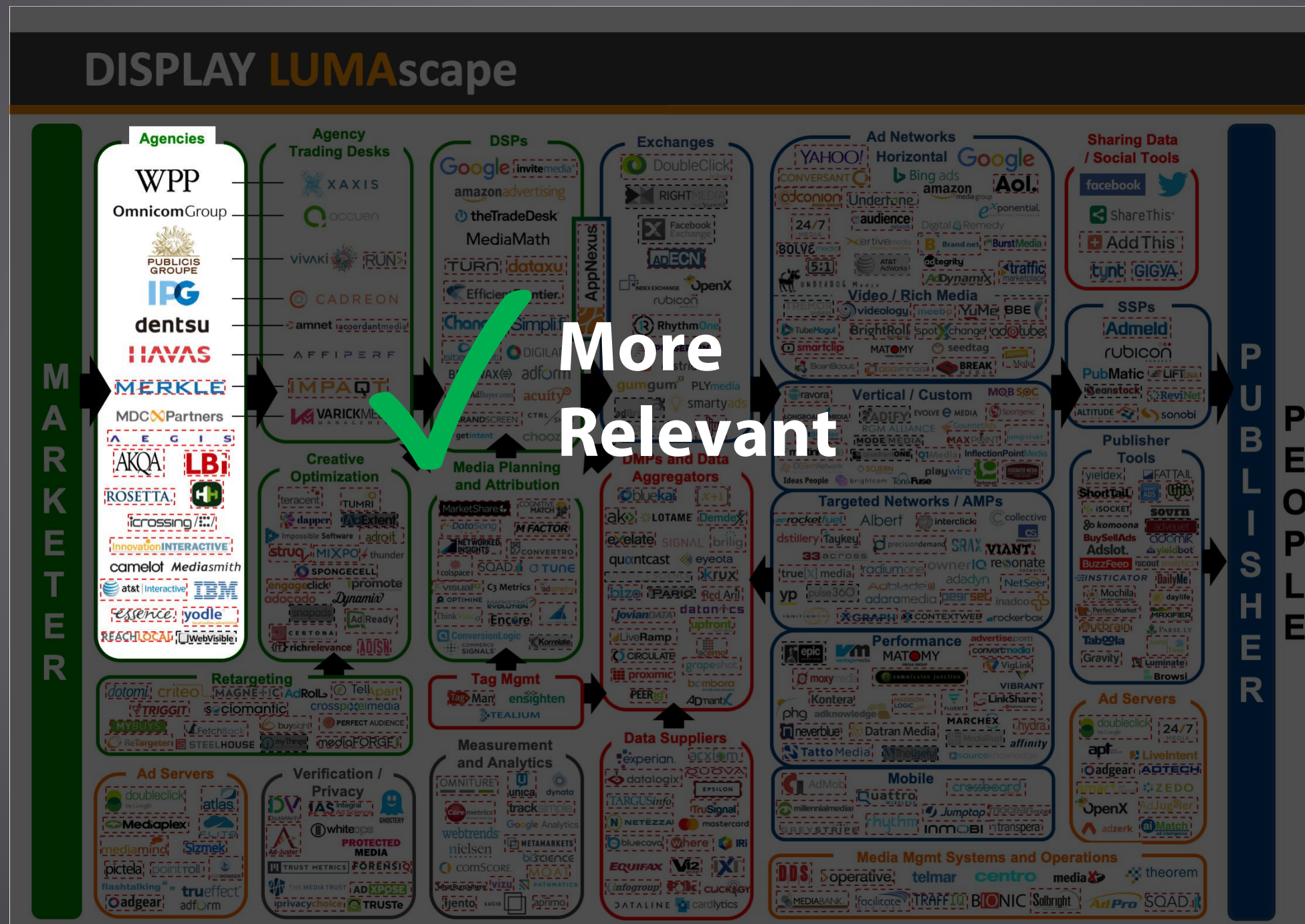


# Market Impact: Marketers



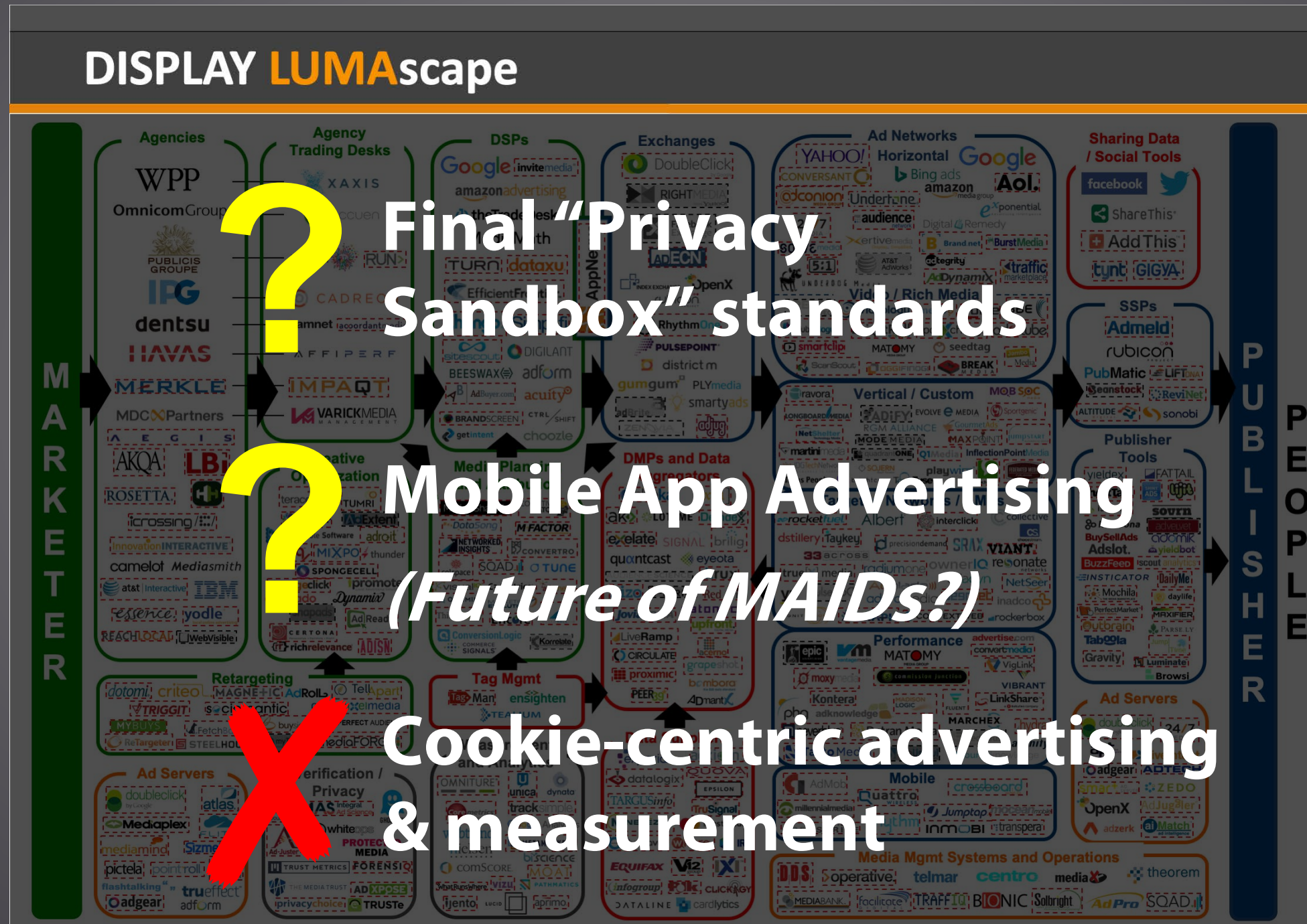


# Market Impact: Agencies





# Market Impact: Ad Tech Vendors

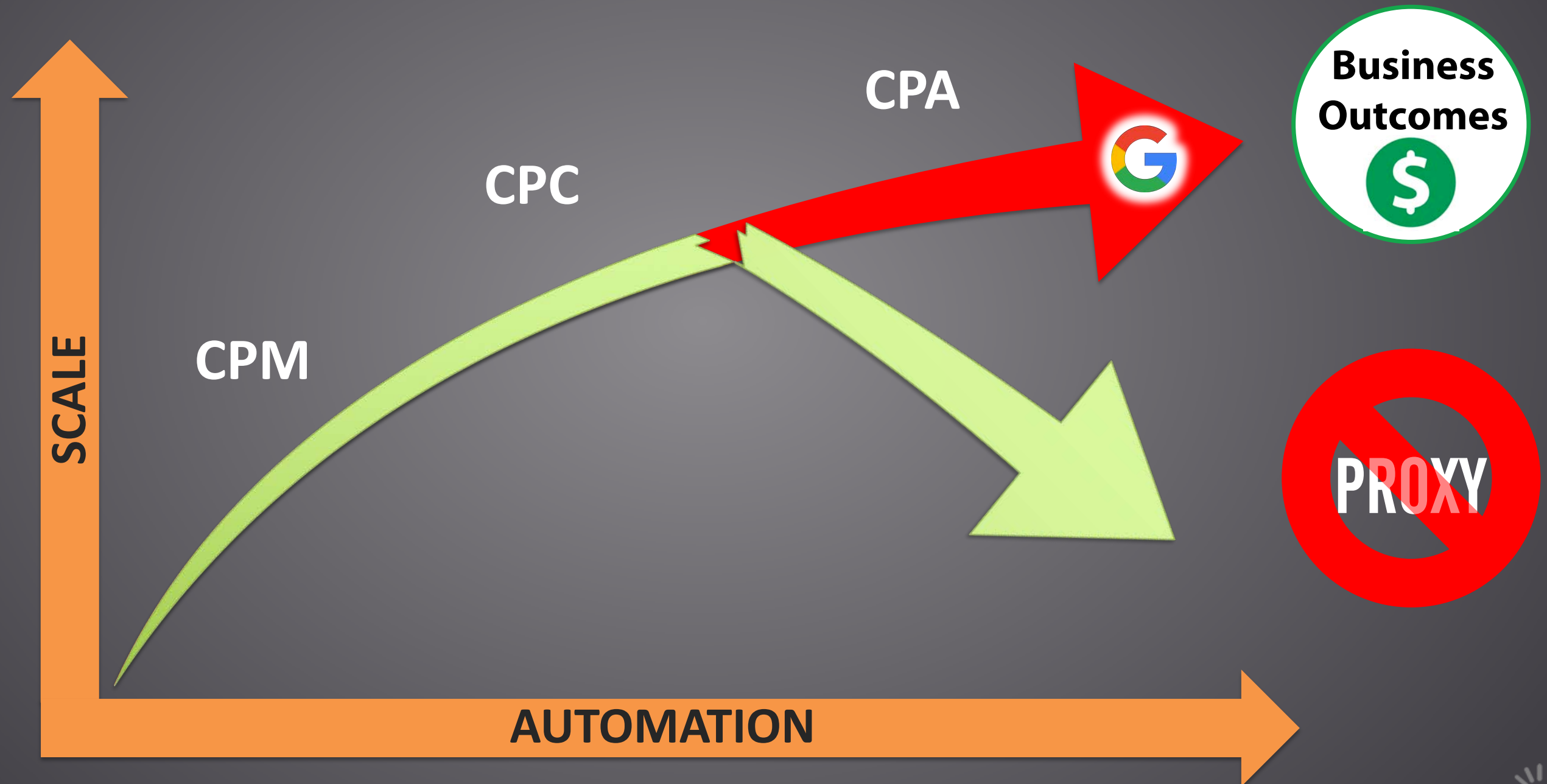




# Market Impact: Walled Gardens



# Performance Marketing Hurt by Changes



# What Should You Do?

➤ **Get Involved!**

**Forbes**

**Justice Department Is Investigating  
Google, Apple, Facebook And Amazon  
For Monopolistic Activities**

Jul 24, 2019, 11:16am

➤ **Invest in first-party data solutions and  
strategies**

# MarTech: CDP Update



# CDPs Continue to Attract Significant Funding

~\$800M

Invested Since 2017

*Lytics*



BLUECORE



bouncex



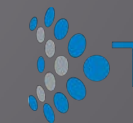
mparticle



Segment

ACTIONIQ

session



TEALIUM



amperity

ZAIUS



smarterHQ



Simon

Amplero



springbot

blueshift



HEAP

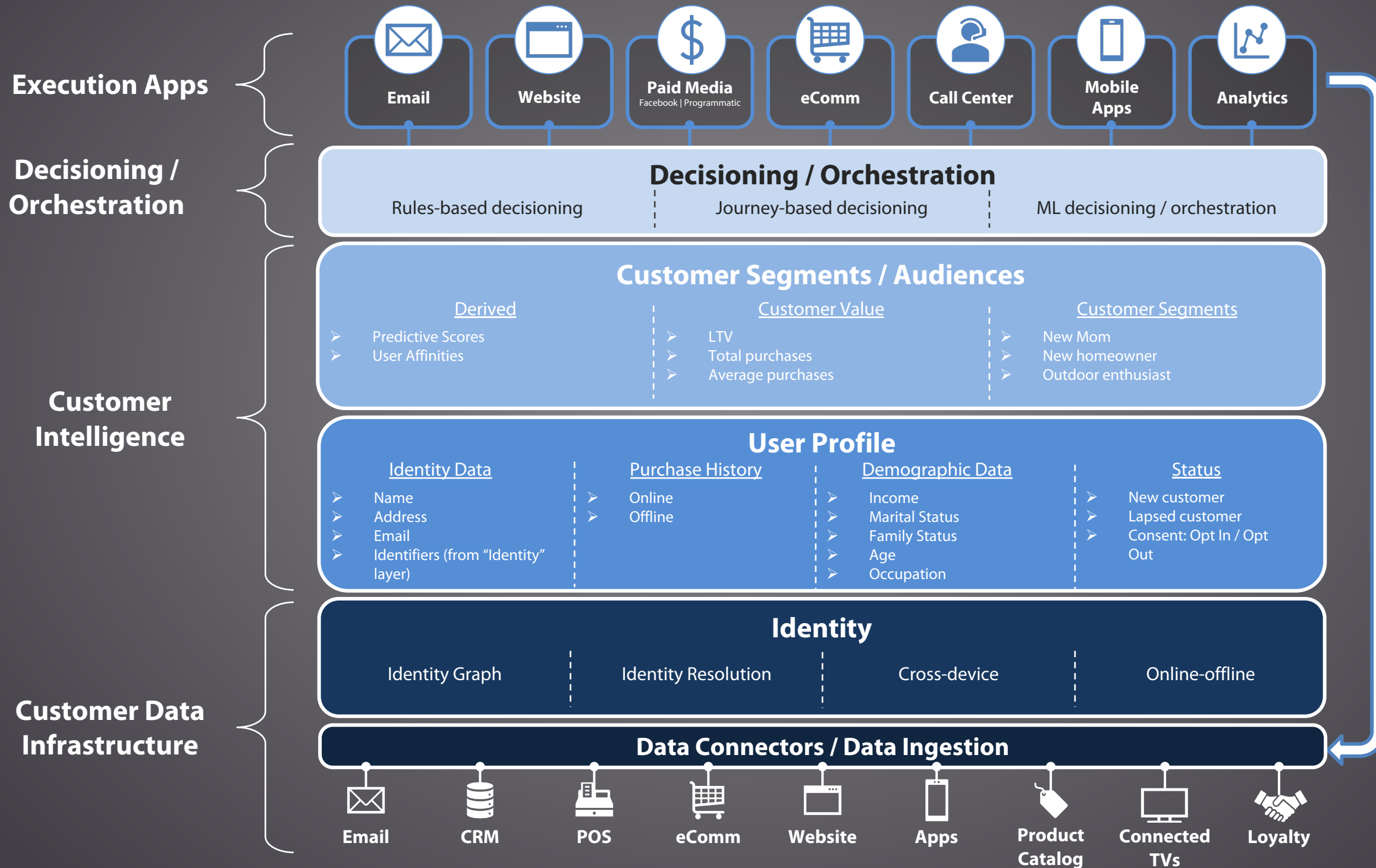
blueconic



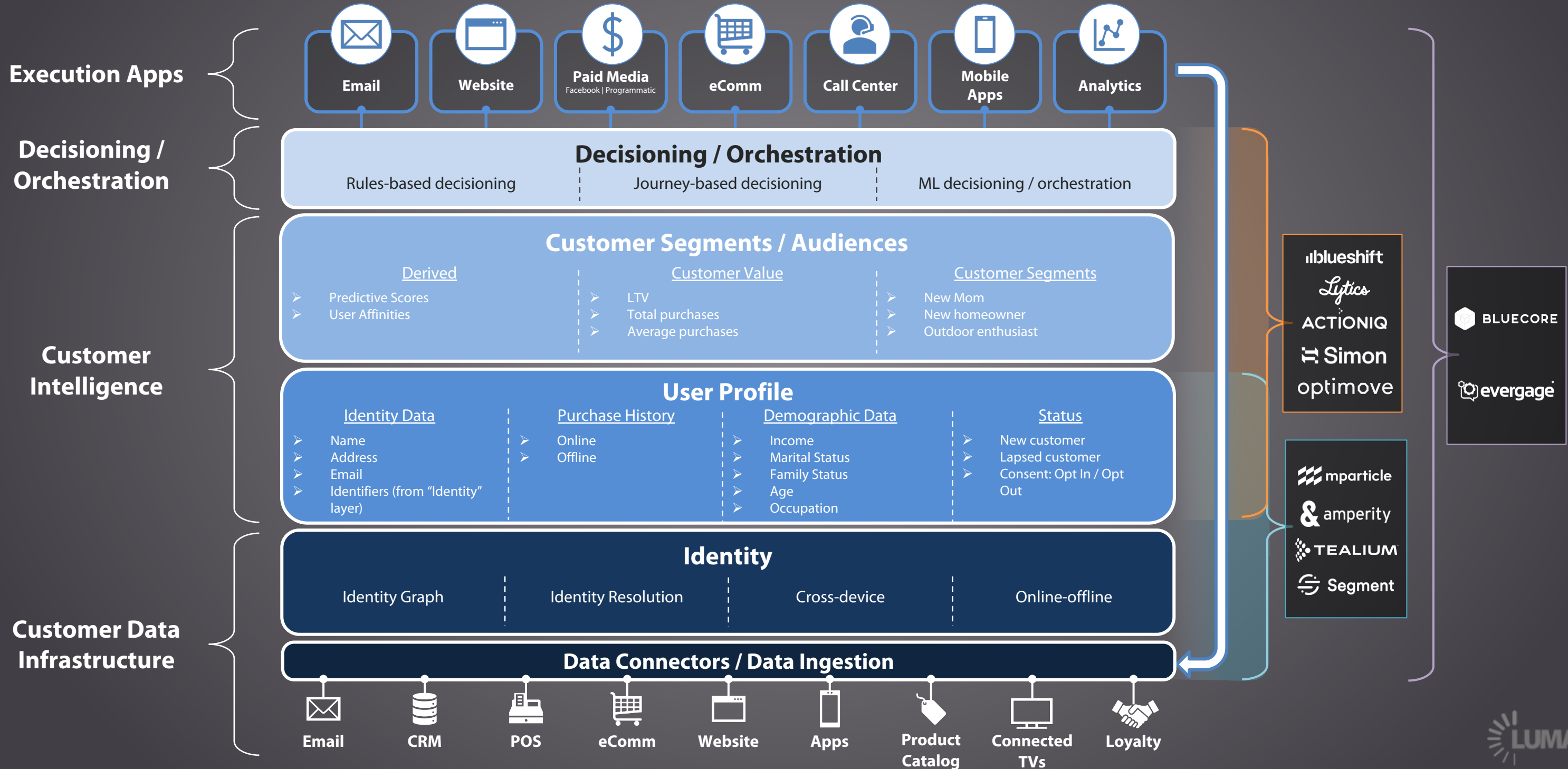
# Confusion Around What is a CDP



# The CDP Stack



# The CDP Stack





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