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How Terence Kawaja, part banker, part comedian, became adtech's most powerful dealmaker

LUMA Partners CEO Terence Kawaja. LUMA Partners; Marianne Ayala/Insider

- **Terence Kawaja's LUMA Partners is on track for its most active year amid an adtech M&A spree.**
- **Insider talked to 30 people close to him who credited his comedic style and deep sector focus.**
- **LUMA is now exploring the launch of an adtech exchange-traded fund amid the sector's resurgence.**

Growing up in the 1960s and '70s — first in Gaspé, Quebec, then on to Montreal, Boston, and New Brunswick, before finally settling in Toronto — a young Terence Kawaja was often occupied helping his engineer father with odd jobs around the home.

One summer they worked together on the roof. Another year, Kawaja learned how to do drywall, plumbing, and electrics as the pair fixed up the basement of their suburban bungalow.

Today Kawaja, who turns 59 in December, still insists on pruning the hedges and fixing things around his family's decidedly less-modest 2-acre estate in the Hamptons, and at their apartment in Manhattan.

Such trappings are afforded through his day job, where he's better known for using his problem-solving skills to stitch together multimillion-dollar mergers-and-acquisitions deals. Since its founding in 2010, his boutique New York City investment bank, LUMA Partners, has been involved in some of the most notable adtech tie-ups of the past decade.

While the sector underwent a rocky period amid privacy concerns, the dominance of Google and Facebook, and some high-profile flameouts, dollars are flowing back into the space again, and Kawaja's LUMA has been at the center of the action.

While in a usual year LUMA tends to advise on half a dozen deals, it's been involved with 17 transactions so far in 2021, pocketing a percentage of the sale prices in fees. Those include the mobile ad firm AppLovin's $2 billion initial public offering (it's now trading at a market cap of $33 billion), Magnite's $1 billion-plus deal to acquire SpotX, and Digital Turbine picking up AdColony for $400 million.

People outside the industry may not have heard of LUMA, but they might recognize Kawaja's "LUMAscapes" — originally a graphic of adtech company logos he started putting together in 2009 to make sense of how the myriad companies in the space interact with one another.

Adtech insiders credit Kawaja's creative penchant for pumping out eye-grabbing free content for bringing attention and clarity to a complicated space. Whether through kooky conference presentations, memes, or parody music videos, insiders said Kawaja had also brought levity to a naval-gazing industry that can often take itself too seriously.

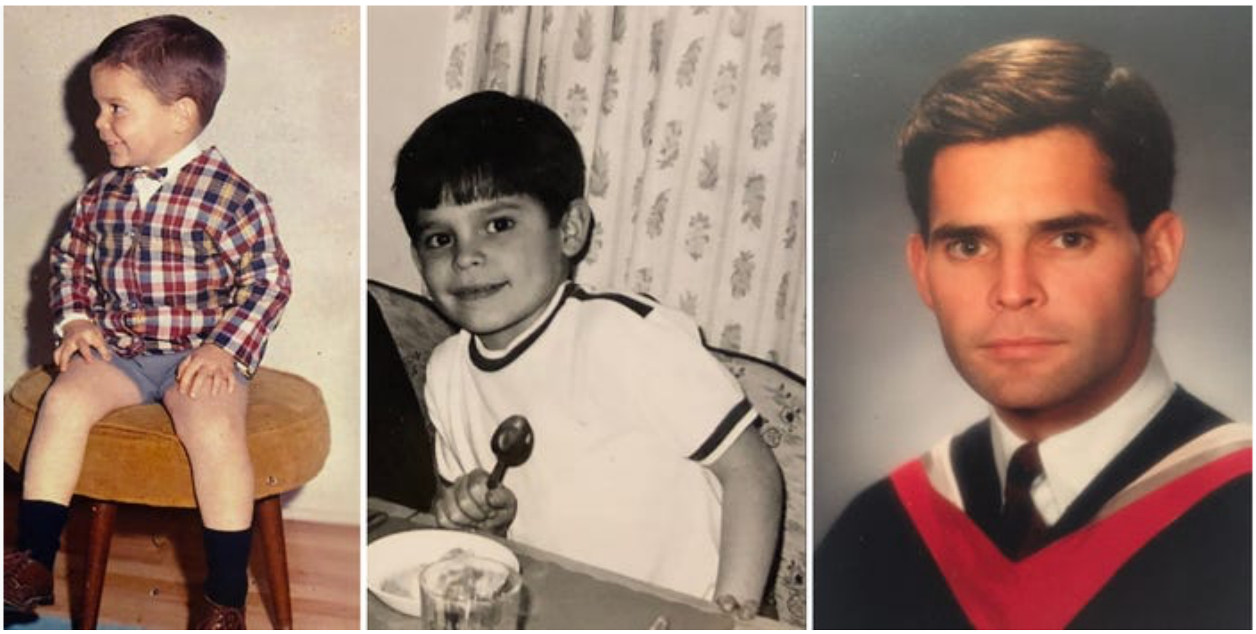
"He's sort of the Herb Allen of adtech," said the New York University marketing professor and entrepreneur Scott Galloway. "Allen & Co. was never the top firm in the league tables around M&A advisory work, but they had a kind of outsized footprint."

Insider talked to 30 people close to Kawaja, including current and former colleagues, clients, competitors, and other industry observers. They described him as adtech's go-to dealmaker and marketer — a quirky character whose decision to play the long game and go deep on a previously maligned sector has paid off in spades.

Kawaja developed a businessman-style hustle from an early age

Born in 1962, Terence Kawaja is the middle child of three high-achieving siblings.

His brother, John, was a talented athlete who went on to become a two-time curling world champion and is now a sports consultant. His sister, Kathy, who also achieved "athlete of the year" at school, now runs one of the top kinesiology practices in Canada.



Kawaja, from left, at ages 2, 5, and 21.

While Kawaja also enjoyed sports — and now spends much of his free time paddleboarding, cycling, and playing tennis — he was more drawn toward academia. He achieved high grades, won the student-council presidential election — "in a landslide," in Kawaja's telling — and was his school's valedictorian.

Kawaja also developed a businessman's hustle at an early age. At age 9, he bought a paper route, delivering newspapers every day after school, until he sold it five years later. He made money in his teens buying cars when they came off lease, detailing them, and selling them for a profit once summer was over.

"Age 17, I was driving around in a 1975 Monte Carlo in midnight blue with a white landau roof," Kawaja said. "I was styling! But it was just an entrepreneurial vehicle."

Kawaja's role in sealing the ill-fated AOL-Time Warner deal

Kawaja stayed in education until 26, achieving a bachelor's in economics from the University of Western Ontario, a Juris Doctor from Osgoode Hall Law School, and an MBA from the Schulich School of Business of York University along the way. It was the mid-1980s, and the financial news was awash in M&A deals, hostile takeovers, and junk bonds.

"That was an outrageous time when corporate development was being utilized in a very sophisticated, accelerated fashion. It involved law, business, strategy," Kawaja said. "I just thought to myself, that seems perfect."

Kawaja focused his attention on Wall Street and in 1989 joined one of the biggest and most profitable firms at the time: Salomon Brothers.

In an early sign of his court-jester-style approach to business, Kawaja quickly became involved in the bank's annual golf outings, delivering a "Weekend Update"-style comedy segment before dinner in which he would roast the company's sharp-elbowed senior execs.

"No one else would have the guts to get up and say the things that Terry would say on the mic," said his former Salomon colleague Sheila Spence, now Spotify's vice president of corporate development. "Even for those of us who weren't there, you heard the tales after."

Kawaja at 38.

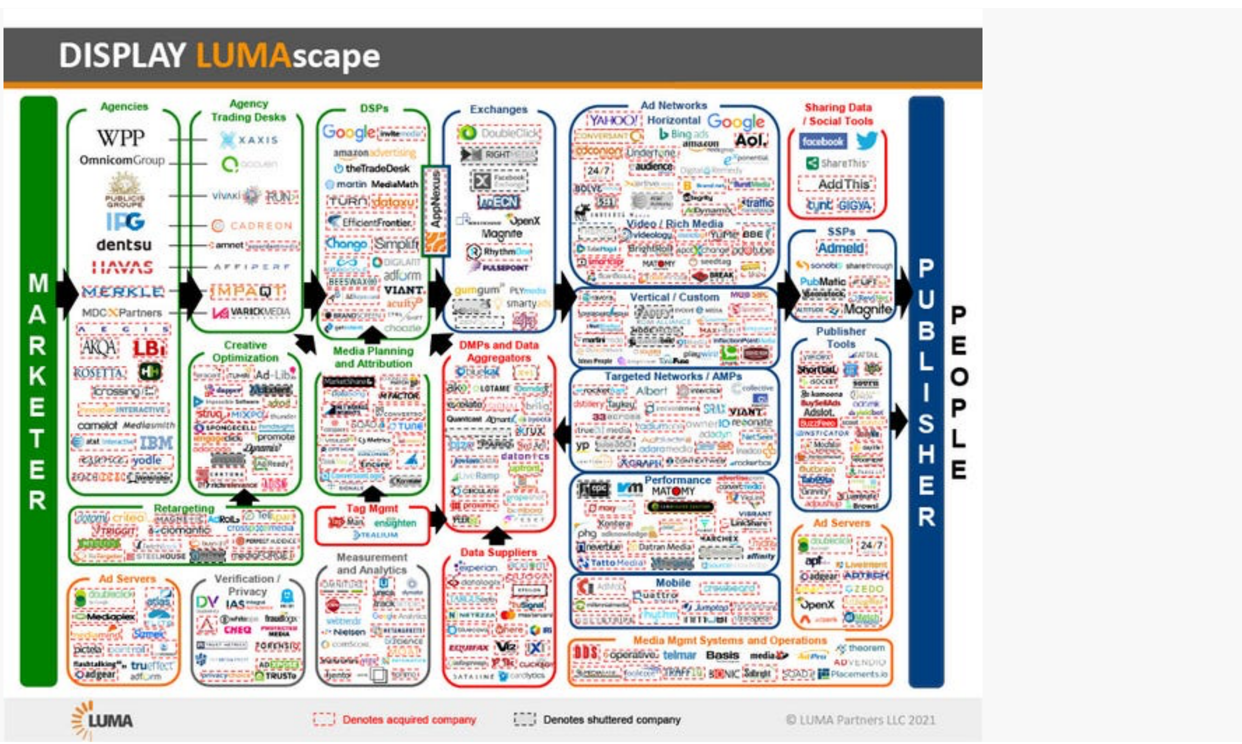
Kawaja's M&A work in those early years involved tying up the radio broadcasting industry in the US and consolidating cable and telephone companies in the UK. Probably his most notable pre-LUMA achievement — and a notable example of his chutzpah — was his involvement in what was at the time the biggest merger and later known as one of the biggest M&A flops of all time: the $183 billion merger of AOL and Time Warner.

Kawaja was under strict instructions to negotiate the fee with AOL CFO Michael Kelly only with his boss, Eduardo Mestre, the chairman of the investment bank, at his side. But working late into the night on the deal at a law firm's office, Kelly unexpectedly grabbed Kawaja by the arm to discuss the fee. Mestre was nowhere to be found. Undeterred, Kawaja pushed ahead and pitched their planned rationale for a $60 million fee — at the time the biggest M&A fee in history.

"I just winged it," Kawaja said.

The CFO agreed to the ask. The engagement letter — complete with Kawaja's signature — now sits pride of place on the wall of his LUMA office.

After stints as a CFO of a tech startup, a hot minute at Credit Suisse, and a short time out traveling and working on real-estate projects, Kawaja joined GCA in 2007. It was at this boutique firm where he got up to speed on the digital sector, and the first iteration of what became the LUMAscape was born.



The current version of the display ad market LUMAscape. LUMA Partners

LUMA's first major deal

Kawaja grew frustrated at GCA, and in 2010 he founded LUMA, a portmanteau of his sons' names: Lucas and Matias. He recruited Brian Andersen, whom he knew from negotiating the adtech company Invite Media's sale to Google the same year. Omniture, where Andersen was vice president for corporate development, had been the competing bidder.

LUMA set up shop — somewhat unofficially — in the offices of Admeld, an adtech startup that had recently rented the vast former Credit Suisse trading floor in Manhattan. Kawaja had noticed that Admeld had a football field of empty space it hadn't yet grown into. Just months later, LUMA would advise Admeld on its sale to Google, a reported $400 million acquisition that helped spearhead the search giant's move into programmatic advertising.

"It was pretty humorous Google bought us," former Admeld CEO Michael Barrett recalls. "I was like, 'Terry, you've got to take down the signs!'"

The deal also kicked off many that Kawaja and Barrett would work on over the years: Millennial Media's acquisition of Nexage; AOL buying Millennial Media; and Magnite, where Barrett is now CEO, acquiring Telaria and SpotX.

Kawaja uses comedy as a marketing vehicle

LUMA bankers say its approach is unique among M&A firms because it focuses on one area — the intersection of media, marketing, and tech — and doesn't tend to run traditional auction "processes." LUMA's playbook is to match "strategic" buyers and sellers and collect a fee only once a transaction has taken place.

"I don't like process-centric things," Kawaja said. "I think any higher mammal with decent training can run an auction process. That's not earth-shattering, nor is it motivating or interesting. I wanted to do something a little different."


Kawaja

But what many people said sets Kawaja apart from his banker peers is his use of content — often self-admittedly "corny" comedy — to draw attention to the adtech space and build LUMA's brand along with his own.

"He's used the art of comedy in a very intentional way," said Kirk McDonald, the CEO of GroupM North America, who was also briefly an "entrepreneur in residence" at LUMA. "That ability to both mock the sellers and the buyers has been really smart: He's used it to provoke behavior and reactions and responses."

A browse through Kawaja's YouTube collection of parody videos essentially chronicles the past decade of adtech.

There's the 2010 "A Few Good DSPs" takedown of the hype at the time surrounding demand-side platforms, or "Delusionally Self-Important Poseurs."

In 2014, he persuaded a gaggle of execs at Cannes Lions, the ad industry's exuberant annual boondoggle on the French Riviera, to dance along to a Cannes-themed version of Pharrell Williams' "Happy." Sample lyrics: "Clap along if you justified being here for your work"/"Clap along if you feel you deserve this annual perk." (In subsequent years, agencies began to publicly scrutinize the ballooning costs associated with the event.)

In 2018, Village People's "YMCA" became "GDPR." The same year, he released the "Ad Tech Misérables trilogy," the first of which highlighted the sector's challenges, from the "duopoly" of Facebook and Google, to issues with ad fraud, and firesale exits.

His latest effort, amid the recent resurgence in adtech company valuations: "I'm Too Pricey for Your SPAC," in the style of Right Said Fred.

But Kawaja's attempts at humor haven't always landed well with everyone.

During a 2015 dinner to celebrate Millennial Media being acquired by Verizon's AOL, Kawaja played a parody video titled "Millennial Rhapsody," a send-up of Millennial's torrid time on the public markets and how that had acted as a forcing mechanism for the sale. ("Just gotta get out, just gotta get right outta here.")

"It was very funny, but my whole team was like: 'What? Are you kidding me!'" Barrett, the former Millennial CEO, said.

Verizon's lawyers weren't amused either and asked Kawaja to remove the video from his YouTube channel. He refused.

The upsides, and downsides, of Kawaja's deep focus on adtech

Many people in the industry Insider spoke with said they considered Kawaja a friend who's generous with his time and could be relied on for unvarnished and often nontransactional advice.

"I'm constantly pressure-testing ideas with Terry," said Linda Yaccarino, NBCUniversal's chair of global ad sales and client partnerships.

This summer, the data-management company Lotame was at the term-sheet stage of being acquired. Lotame CEO Andy Monfried recalled that Kawaja advised against it — though it meant LUMA forgoing a transaction fee — because he said it didn't value the future of the company correctly.

The outgoing Instacart president, Carolyn Everson — who has never been a client of LUMA's — counts Kawaja as a member of her unofficial "board of advisors." She said a call to Kawaja was one of the first she made when Facebook approached her about leaving Microsoft to run its ad-sales business in 2011. At Microsoft, Kawaja advised, advertising was on the periphery: no matter what Everson did, she was never likely to really move the needle. At Facebook, advertising was the business model.

"He was really bullish and gave me a lot of confidence to pursue that — that was pretty instrumental," said Everson, who worked at Facebook for more than a decade until earlier this year.


Carolyn Everson

The outgoing Instacart president, Carolyn Everson, says she considers Kawaja as being on her unofficial personal "board of advisors." Others said the key ingredients to LUMA's success had been Kawaja's deep sector knowledge, large network, and the deliberately small but highly regarded team of experts with whom he's surrounded himself.

On the other hand, some observers say LUMA's narrow sector focus, small team, and instinct not to run traditional auction processes on most of its deals are limiting factors for the firm — reducing the size of its available buyer universe and the number of services it can offer clients.

"We are the group that is the star pitcher that goes in 8 1/3 innings and holds the other team to no runs," said a banker at a rival firm who wasn't authorized to speak publicly about a competitor. "His model is different: He's the Mariano Rivera" — the longtime Yankees closer — "who gets the last two outs and a lot of glory for it."

LUMA says it has helped generate more than "$25 billion in client outcomes" through 75 transactions since its founding. LUMA did also make a brief foray into venture capital in 2016, but it raised and invested only about $4 million of an intended $100 million fund. LUMA Capital wound down not long after it started.

Still, for all the consolidation in the adtech space, about 80 to 90 cents of every dollar spent on digital advertising outside China goes to Alphabet; the Facebook parent, Meta; and Amazon, according to GroupM.

Richard Kramer, a senior analyst at Arete Research, said that while LUMA had achieved a "brilliant job of content marketing" with its LUMAscape, in his opinion it had also encouraged "a lot of dubious companies to be created with the sole purpose of being sold."

"The business relies on a constant stream of transactions," Kramer said. "So LUMA has to unfailingly promote the benefits of M&A, even with so many examples of its failure. They also have every incentive to inflate valuations since it boosts their fees."

Kawaja responded that rather than encouraging new entrants into the sector, many of his published presentations had warned that the adtech space was too crowded and that there was a need for rationalization.

Kawaja's next act

The deal flow shows no sign of decelerating in 2022: Digital ad spend is forecast to reach new heights, retailers and ecommerce companies are launching ad businesses at a clip, and newly-public adtech companies are looking to differentiate through M&A.

With investors hotter than ever on the space, LUMA has been in discussions about launching an exchange-traded fund to track an index of publicly traded adtech and martech companies. In their beta-version forms, the LUMA adtech index was trading up 33.1% on December 12 versus the same date last year, while the martech index was up 6.3%.

Kawaja

Some people in the industry are speculating about Kawaja's next act. The former Publicis Groupe executive Rishad Tobaccowala envisioned that Kawaja could build his version of the Allen & Company conference, the exclusive media-mogul event in Sun Valley, Idaho.

"He's got that estate in the Hamptons he bought recently — I could see him flying people over on Blade helicopters," Tobaccowala joked.

As for what Kawaja says is next: more of the same. He recalls a moment in 2016 when he came home and turned to his wife, worried that the adtech sector was in trouble. The pressure was on amid the rise of Google and Facebook and concerns about privacy regulation and vendor transparency.

"So many people came to me and they said: 'Good run, kid, but it didn't work. If I were you, I'd pivot to fintech, pivot to crypto, pivot to cannabis,'" Kawaja said. "My answer was: No, no, no. I'm going to stay focused, double down because I believe in the sector.

"That was the smartest thing I ever did."