



# Ready? Set. Go!

THE DIGITAL ADVERTISING SECTOR  
IS POISED TO THRIVE IN 2025



LUMA's **Ready? Set. Go!**: our optimistic perspective on the year ahead in digital advertising.



# Reasons for Optimism



There are 6 reasons for optimism: 1) Macro Variables, 2) Industry Cleanup, 3) Industry Green Shoots, 4) Government, 5) Artificial Intelligence and 6) Deal Velocity



# Reasons for Optimism




## MACRO VARIABLES

### 1. Macro Variables



# Unprecedented Macro Uncertainties

	November 2022	November 2024
<b>Change in Fed Funds Rate</b> (Last 12 Months)	<b>+375 bps</b>	<b>(75 bps)</b>
<b>Inflation</b>	<b>7.1%</b>	<b>2.6%</b>
<b>Likelihood of Recession</b> (Next 12 Months)	<b>63%</b>	<b>&lt; 30%</b>
<b>S&amp;P500 YTD Return</b>	<b>(21%)</b>	<b>+27%</b>

 **LUMA** Source: FactSet (Market Data as of 11/29/24). Bloomberg. U.S. Bureau of Labor – 2024 November inflation is as of latest available (October 2024).

The macro uncertainties has improved dramatically



# 2023's "Year of Efficiency" Worked

## Average EBITDA Margin

2022 Return: (41%)

2H 2022

2H 2023

38.5%



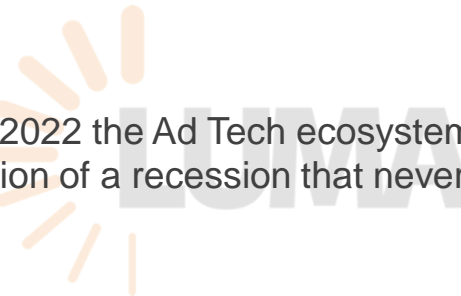
44.4%

+ 600 bp  
Margin  
Improvement

**Public Ad Tech**

APPLOVIN cardlytics CRITEO IDV  
Digital Turbine Google IAS illumin  
INNOVID /LiveRamp Magnite MediaAlpha  
Meta nexxen Outbrain PERION  
PubMatic ROKU Taboola theTradeDesk  
Unity verve VIANT. ZETA

 **LUMA** Source: Company Filings, FactSet. LUMA Analysis. Note: EBITDA margin is the sum of all EBITDA (as defined by brokers) and net revenue for 6 months.



After the market cut down valuations in 2022 the Ad Tech ecosystem got the memo and made huge improvements to profitability in anticipation of a recession that never came.

# LUMA's 3 Year Plan For the Industry

**2023: SURVIVE**

**2024: REVIVE**

**2025: THRIVE**



We've suggested a 3 year plan: Survive, Revive, Thrive.



# Reasons for Optimism



# INDUSTRY CLEANUP

## 2. Industry Cleanup



# Cookie Deprecation Not Quite Here **Yet**

2020: Deprecation in 2022  
2021: Deprecation in 2023  
2022: Deprecation in 2024  
~~2024: Deprecation in 2025~~



PRIVACY  
SANDBOX  
CLOSED  
FOR REPAIR

Google has again delayed cookie deprecation punting it to consumer choice.





# Consumer Prompt Language Will Drive Action

## Apple Prompt

Allow “BeetTV” to track your activity across other companies’ apps and websites?

It will help us to provide you a more personalized experience, relevant content, and promotions.

Ask App not to Track

Allow

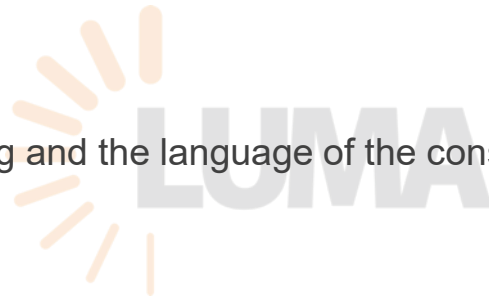
## Google Prompt?



Do you like warm, freshly baked delicious cookies?

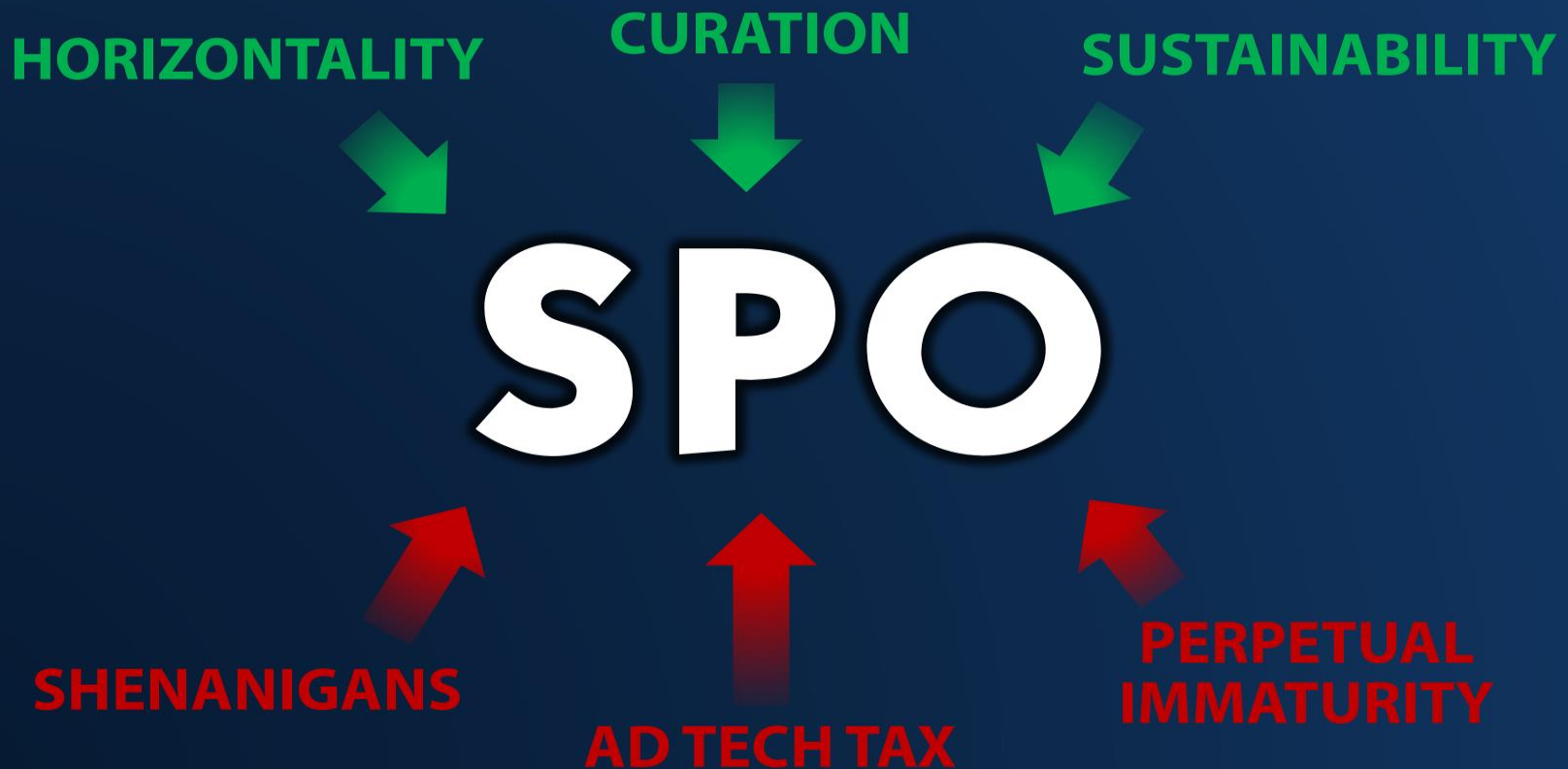
I like cookies

No thanks



But we're certain deprecation is coming and the language of the consumer prompt will tell you the answer.

# SPO is the Key to Programmatic Cleanup



Supply Path Optimization (“SPO”) is the key to a cleanup of the complex, fragmented and murky programmatic ecosystem. SPO is a term that encompasses a variety of efforts to simplify the supply chain and make it more efficient

- Bundle select media with audience data for better results? CURATION
- Eliminate hops between demand and supply for better data husbandry? HORIZONTALITY
- Reduce bid duplication to cut out waste and lower the carbon footprint? SUSTAINABILITY
- Shine a light on supply sources to minimize bad actors? SHENANIGANS
- Reduce the number of intermediaries who each have a take rate? AD TECH TAX
- Resolve over-fragmentation that creates dark corners? PERPETUAL IMMATURITY

# The Ad Tech Ecosystem Needs Consolidation

**DEMAND**

**SUPPLY**

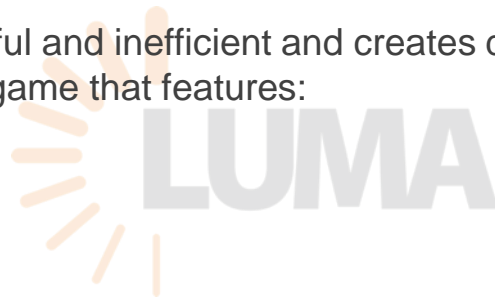
**Necessary End Game:**

- Fewer Players
- Higher Volumes
- Lower Take Rates
- Better Quality

**LUMA**

The excessive fragmentation is wasteful and inefficient and creates dark corners for bad actors. We need consolidation and the necessary end game that features:

- Fewer players, doing
- Higher volumes, at
- Lower take rates, with
- Better quality



# Reasons for Optimism



## INDUSTRY GREEN SHOOTS

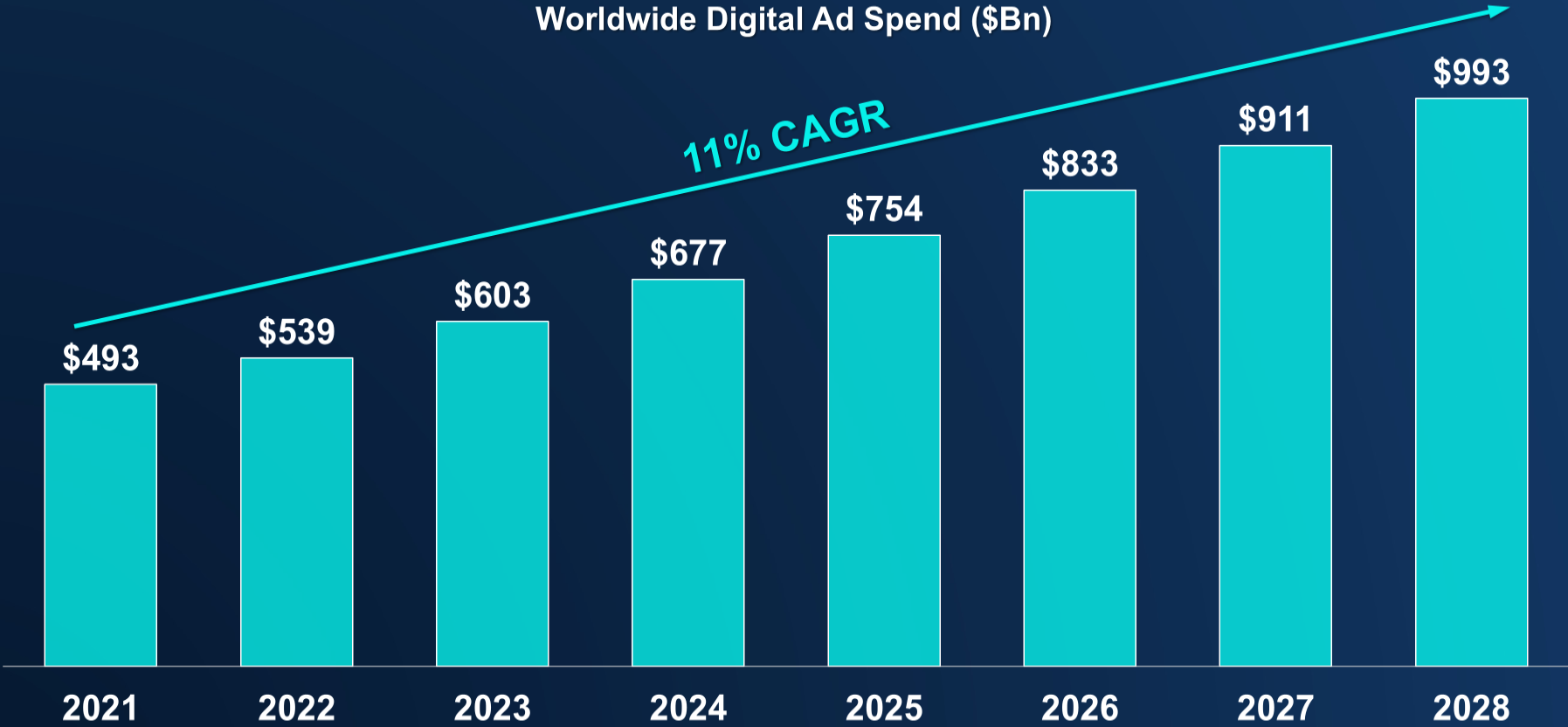


### 3. Industry Green Shoots



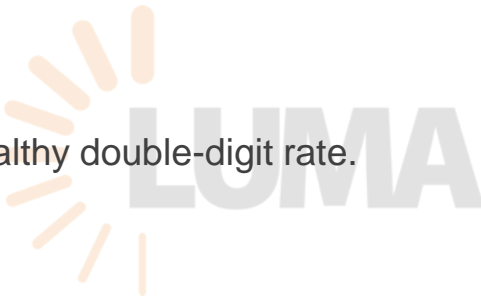
# Digital Ad Spend Continues Double Digit Growth

Worldwide Digital Ad Spend (\$Bn)



 LUMA Source: eMarketer September 2024.

Digital ad spend is still growing at a healthy double-digit rate.



# New Entrants Fuel the Ecosystem

AD TECH  
IS EATING  
THE WORLD

## COMMERCE MEDIA NETWORK LUMAscape



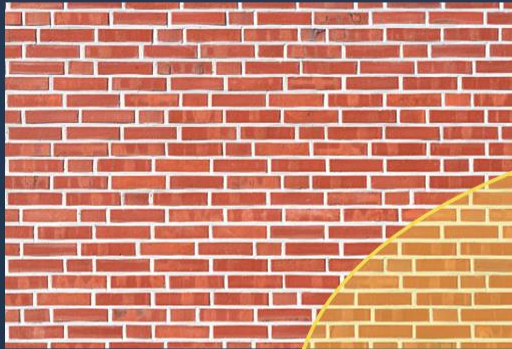
© LUMA Partners LLC 2024

And new entrants are driving growth. Companies from a variety of different sectors are realizing they can leverage their 1st party data to launch media businesses that have a big positive financial impact. This trend is much broader than just retailers and over 200 networks have been launched to date



# ...Commerce Media Data Will Inform All Inventory

Walled Gardens



Hedged Gardens

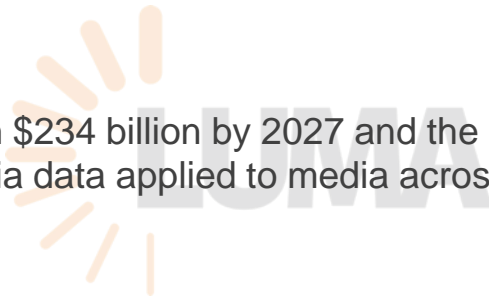


Open Web

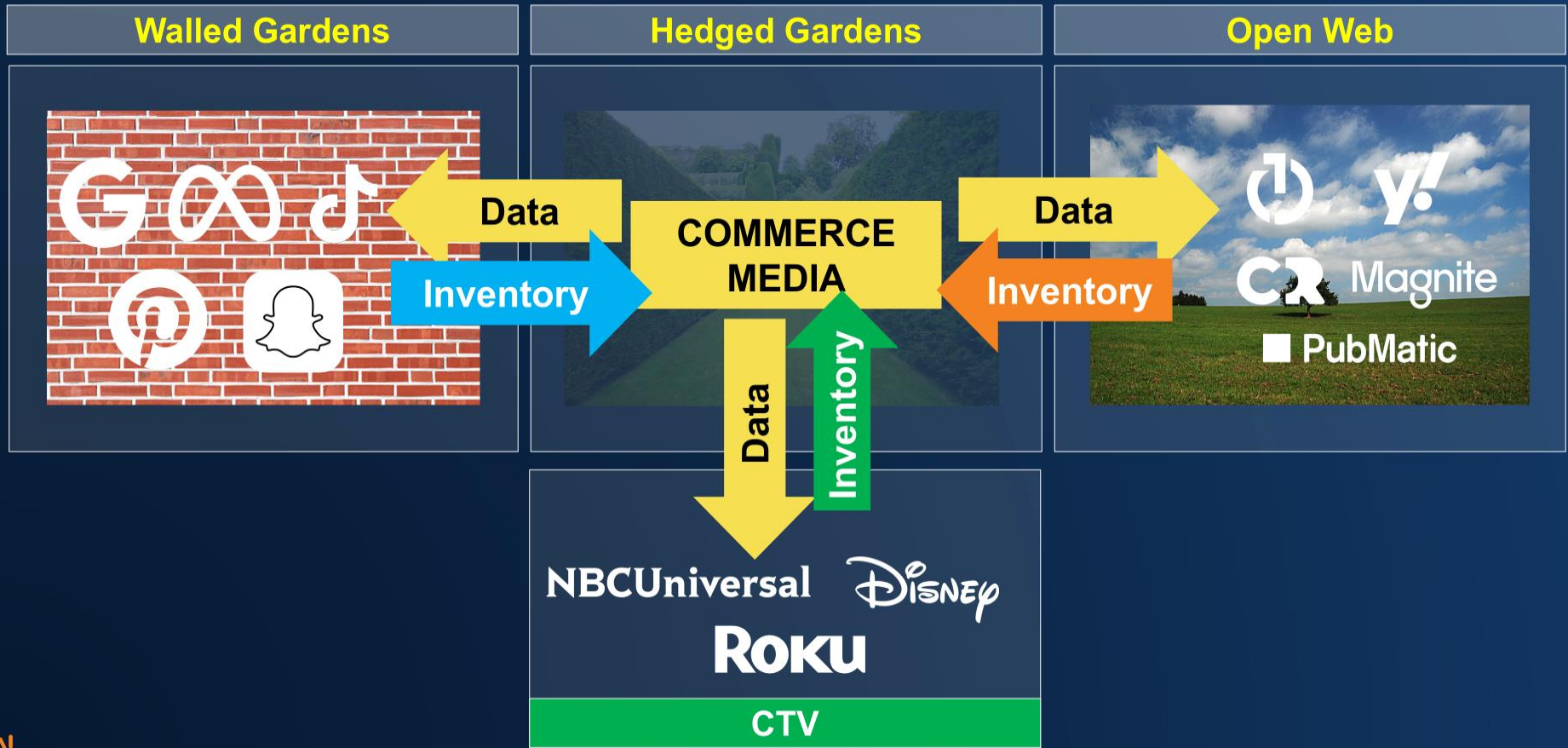


**\$234 BN**

Commerce Media is expected to reach \$234 billion by 2027 and the biggest component will not be on-site retail media but rather commerce media data applied to media across channels.



# Commerce Media is the Great Inventory Unifier

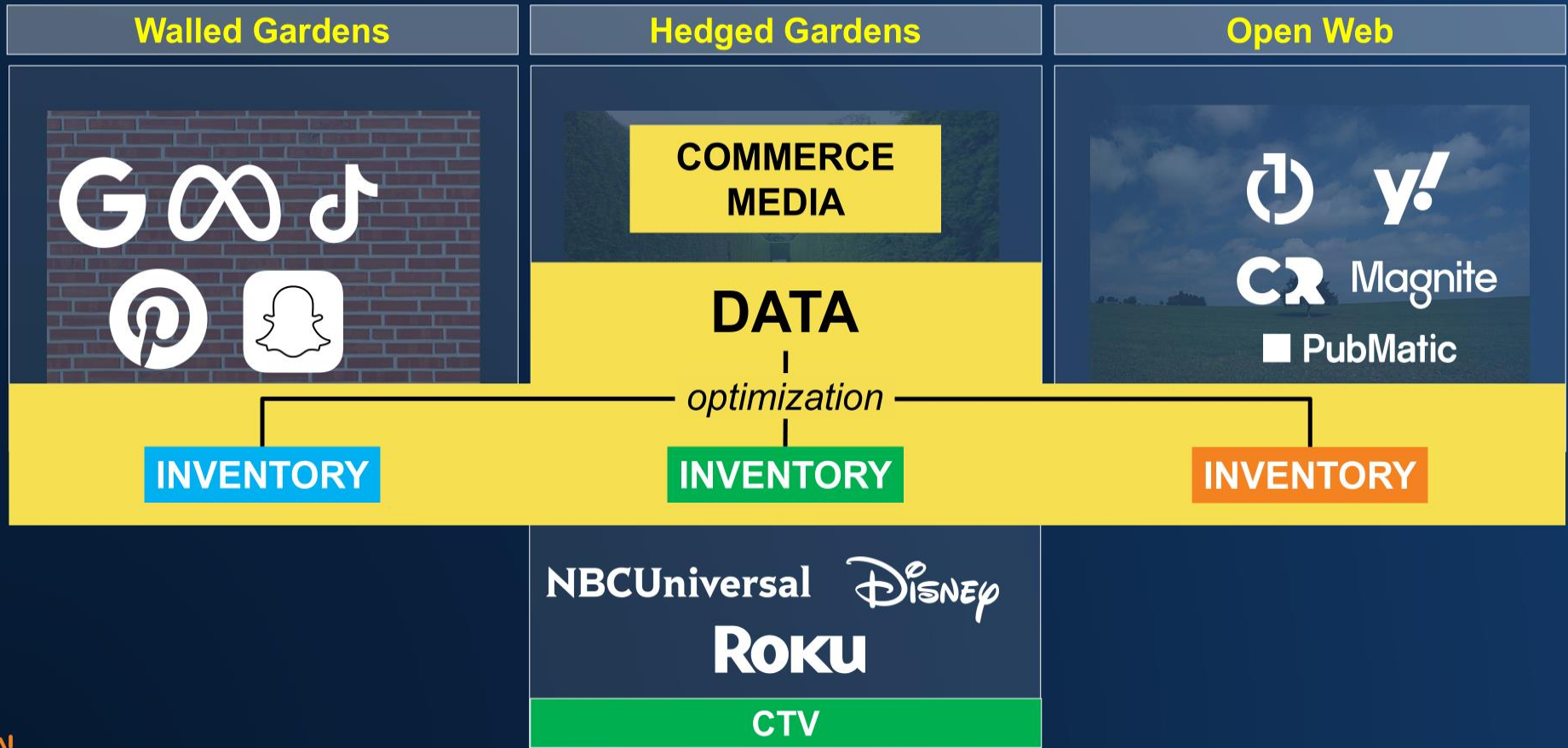


This 1st party data will inform media from walled gardens to CTV to the open web.





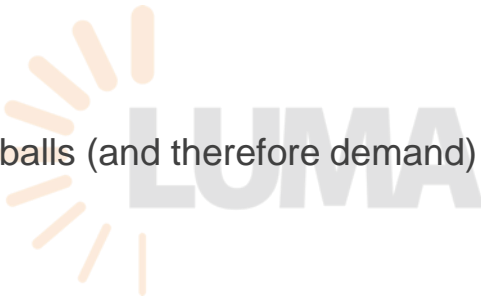
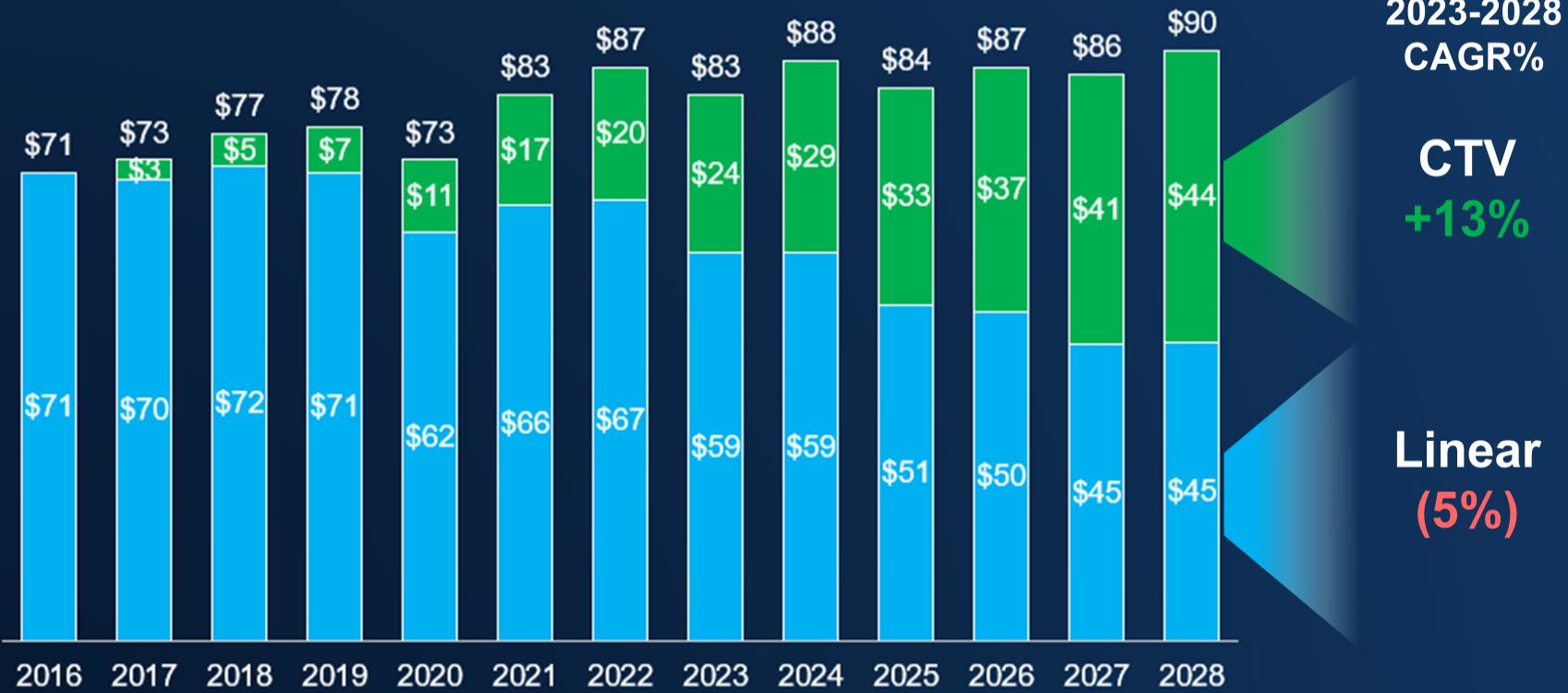
# Commerce Media is the Great Inventory Unifier



Essentially, Commerce Media is the great inventory unifier.

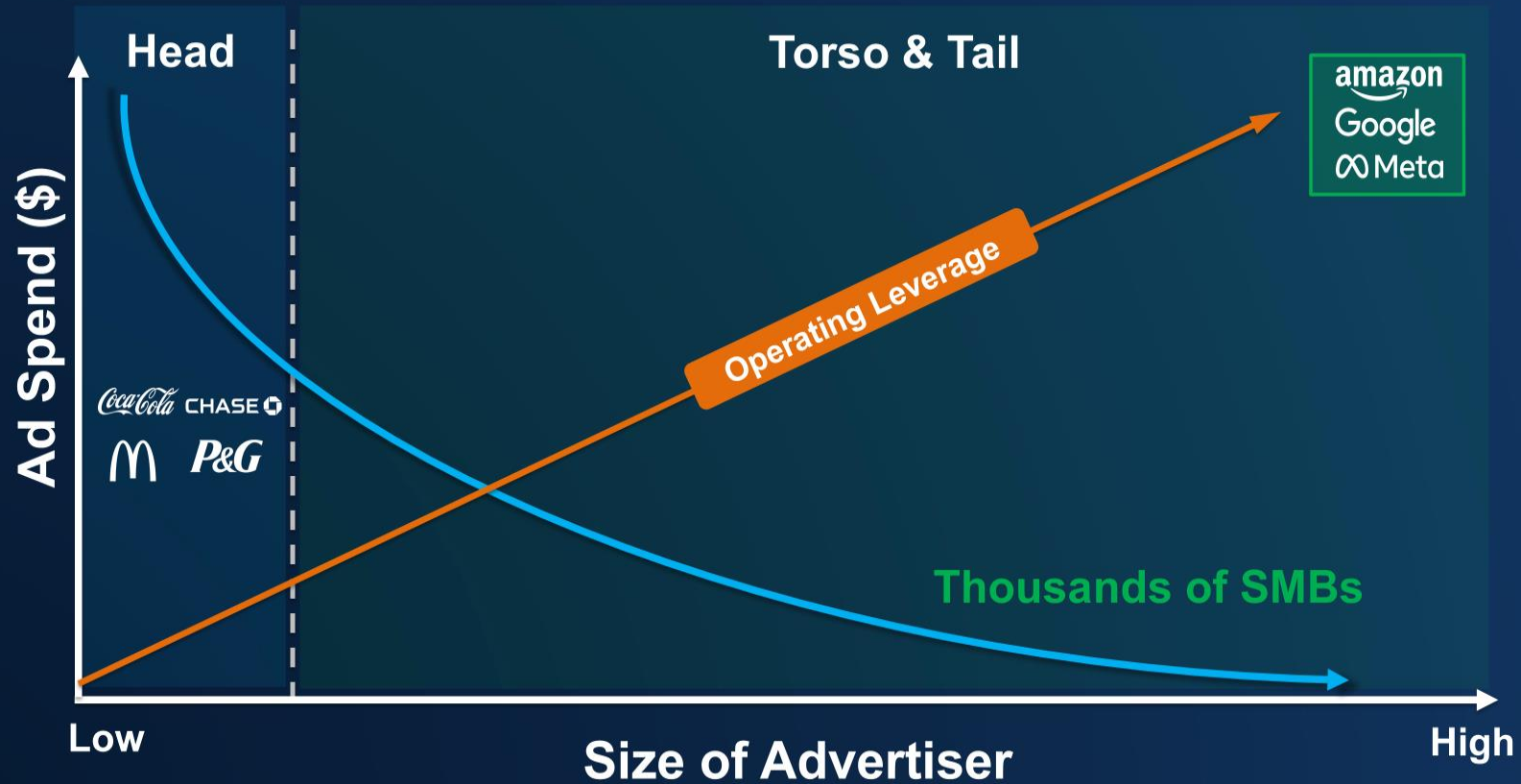


# CTV Growing at the Expense of Linear



Another green shoot is CTV where eyeballs (and therefore demand) are shifting from linear to streaming.

# Democratized CTV Ad Spend Creates New Demand



And new demand is coming from smaller, more performant advertisers who are discovering the TV channel. All the big tech companies enjoy this customer segment that produces a business model with higher operating leverage.

# Reasons for Optimism



**GOVERNMENT**



## 4. Government



# Government Has Been All Over Tech

## PRIVACY LEGISLATION



## ANTITRUST LAWSUITS



## ANTITRUST LEGISLATION



## DEAL BLOCKAGES



## FOREIGN OWNERSHIP



Lately Government has played a heavy hand in both privacy and antitrust.



# There's a New Business-Friendly Sheriff in Town



**PRIVACY  
LEGISLATION**



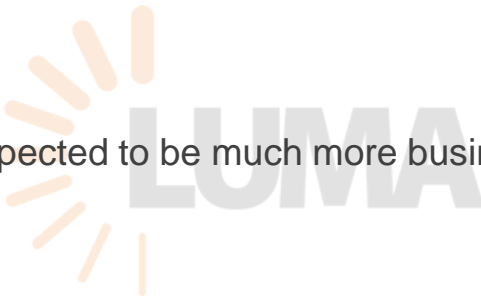



**ANTITRUST  
LAWSUITS**



**ANTITRUST  
LEGISLATION**



**DEAL  
BLOCKAGES**



The second Trump administration is expected to be much more business friendly.

# Who Will Likely be Less Stringent on Antitrust



And its probably safe to assume we will see changes in leadership at the DOJ and FTC.



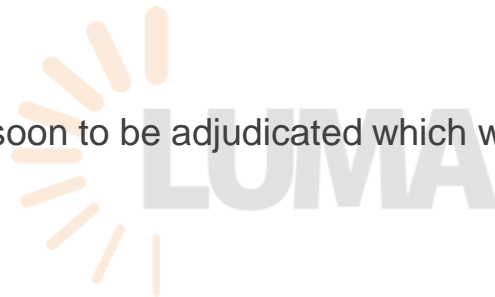
# US DOJ vs. Google for Ad Tech Antitrust



vs.



The Google Ad Tech antitrust case is soon to be adjudicated which will have significant implications on the ecosystem.

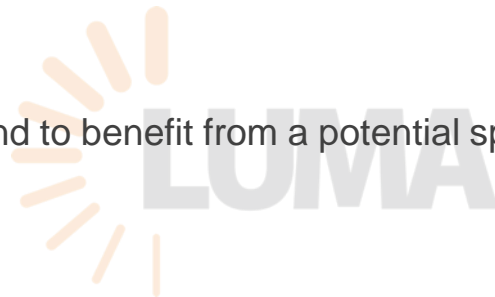




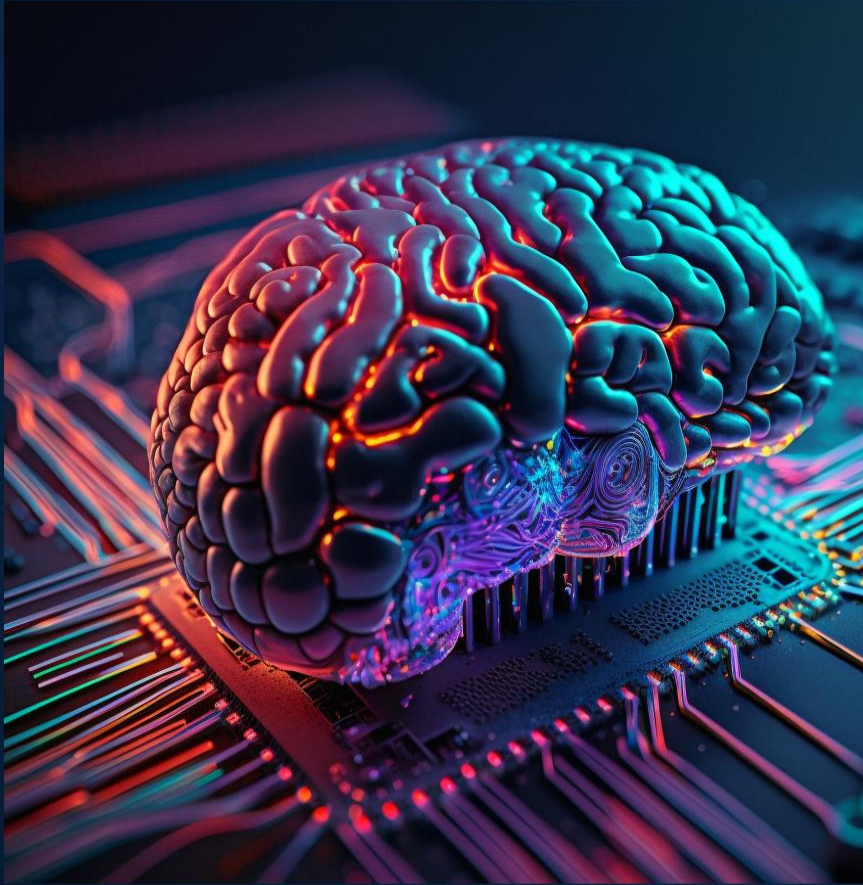
# All Winners From a Google Ad Tech Spin-Off

Constituency	Impact
Google Shareholders	✓
Google	✓
Ad Tech Ecosystem	✓
Advertisers	✓
Publishers	✓
Consumers	✓
Ad Tech-Focused Investment Bankers	✓

We've argued that all constituents stand to benefit from a potential spinoff of Google's 3rd party Ad Tech business.



# Reasons for Optimism



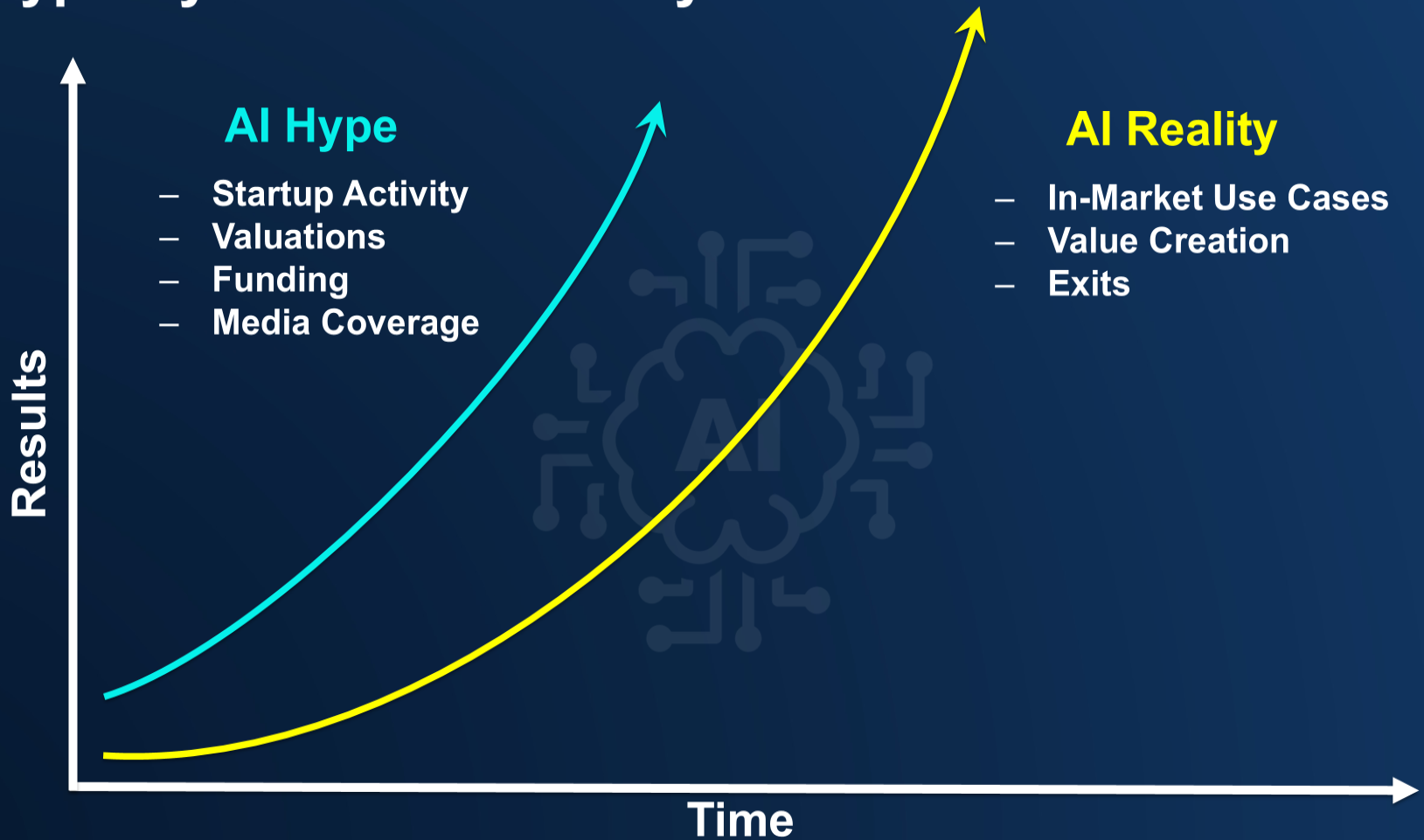
**ARTIFICIAL  
INTELLIGENCE**



5. Artificial Intelligence



# AI Hype Cycle Versus Reality



While there's a lot of hype on AI, we believe there will be a significant reality.

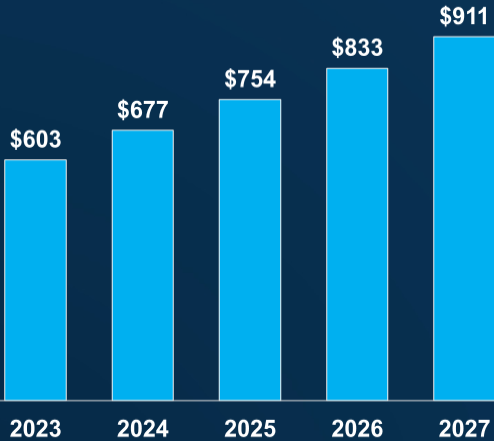


# AI is Perfectly Suited for Digital Advertising

## Large Spend

### Worldwide Digital Ad Spend

(\$ Billions)



## Massive Data Pools

D  
E  
M  
A  
N  
D

**TRILLIONS**

QPS processed each month

S  
U  
P  
P  
L  
Y

## Spectrum of Outcomes

\$\$\$\$\$\$\$\$

\$0

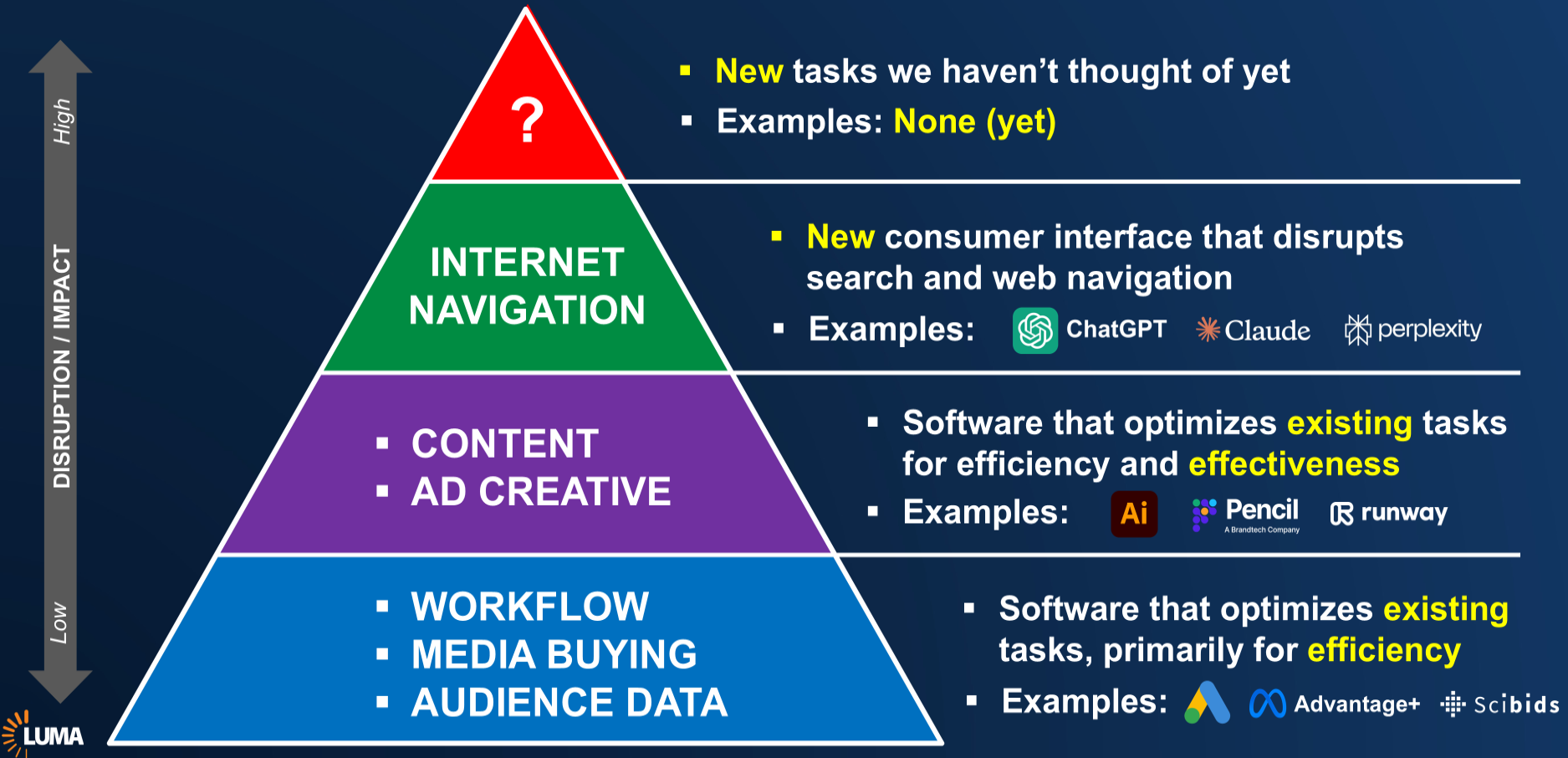


Source: eMarketer (March 2024), Statista.

Digital advertising is a perfect application for AI.



# LUMA's Hierarchy of AI Applications to Advertising

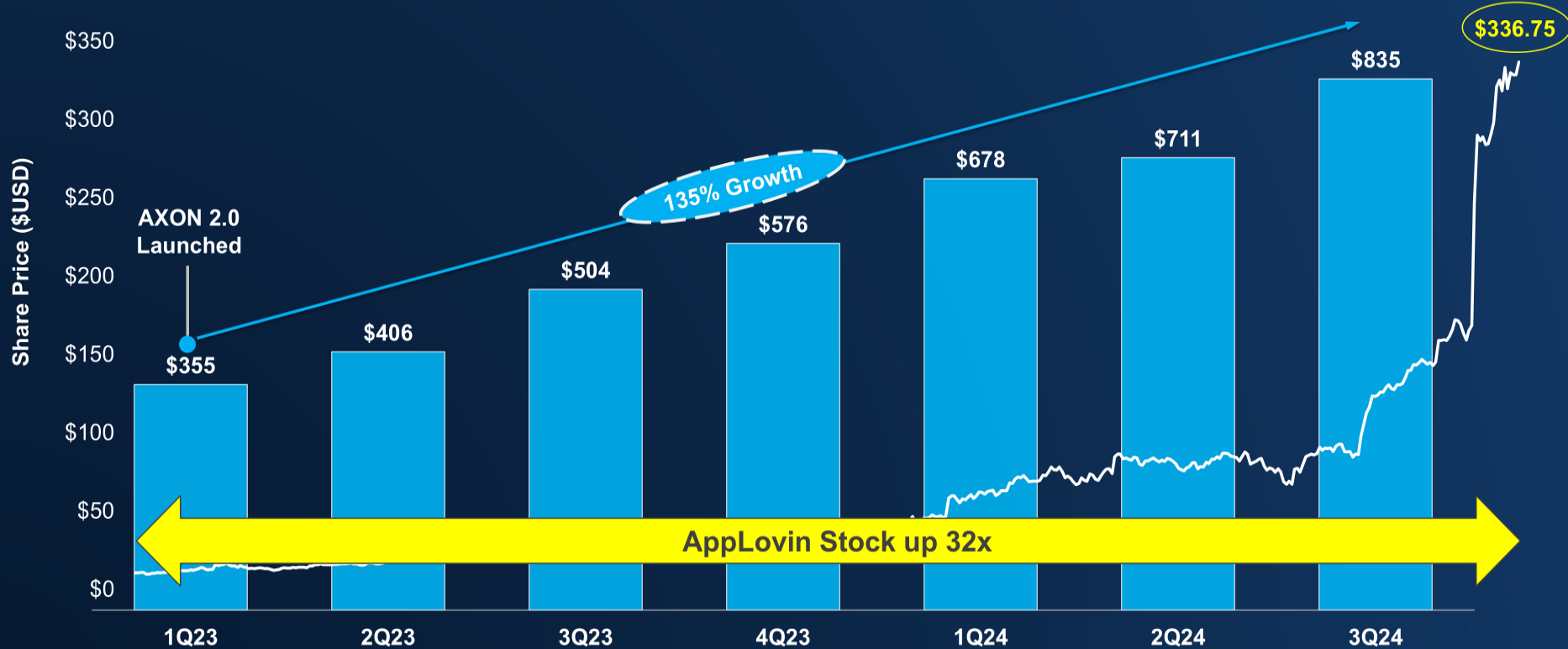


There's a hierarchy of AI applications that range from existing tasks to new tasks both known and unknown.



# AppLovin's Revenue Acceleration from AI Product

Advertising Revenue (\$ mm) and Share Price (\$USD)



Source: FactSet and Company Filings. Note: Market Close as of 11/29/2024

AppLovin (\$APP) is a great example of the opportunity from in-market AI use cases. Their platform's advertising revenue has grown rapidly since they launched their AI enabled AXON 2.0 product and the market has rewarded them with a 32x increase in stock price in the last 18 months. \$APP is now the largest independent Ad Tech company, surpassing \$TTD.

# Reasons for Optimism



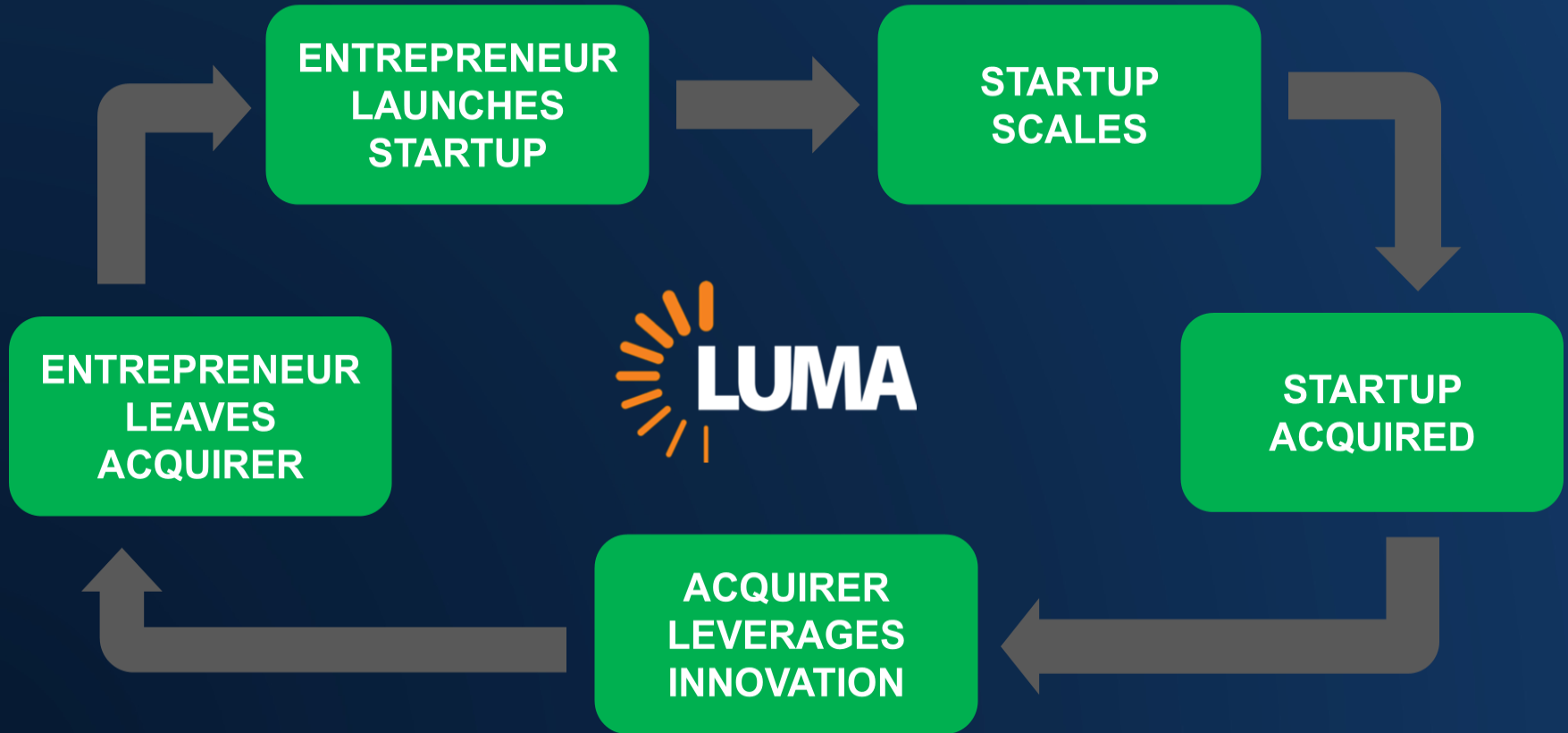
**DEAL  
VELOCITY**



6. Deal Velocity



# The M&A Flywheel is Key to Innovation



M&A is key to the innovation fly wheel and LUMA is honored to play a key role.

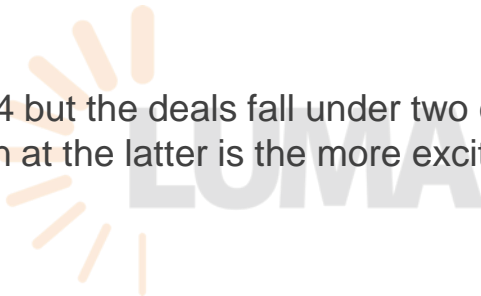




# Consolidation Comes in Two Categories




M&A deal activity has picked up in 2024 but the deals fall under two categories: Rationalization and Strategic. The former are necessary consolidation at the latter is the more exciting strategic deals at higher valuations. LUMA largely advises on the latter.




# A Breaching Whale Get's Everyone's Attention




July 2023

 **Scibids**

has agreed to be acquired by

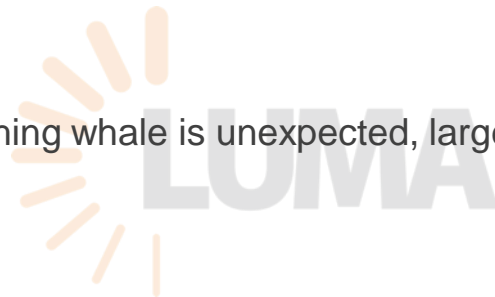
 **DoubleVerify**

*The undersigned acted as exclusive financial advisor to Scibids Technology SAS*

 **LUMA**

...Like an  
M&A Deal

When you go whale watching a breaching whale is unexpected, large and makes a big splash...like an announced M&A deal.

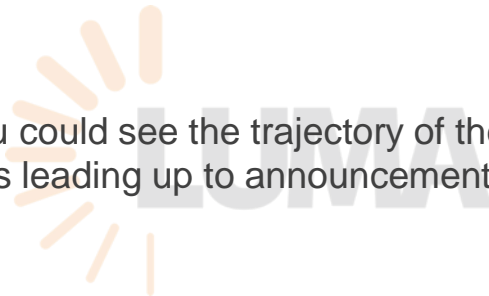


# You Could See Them Coming Up Underwater



## Similar to How Bankers See Deals Before They're Announced

If you could see below the surface, you could see the trajectory of the whale and anticipate deal activity. Bankers see this as they work on deals leading up to announcement.

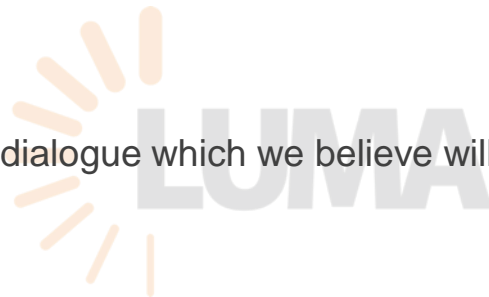


# Currently Lots of Dialogue on Strategic Deals



**Expect Significant  
Deal Activity in 2025**

Currently there is lots of strategic deal dialogue which we believe will manifest in an active 2025.



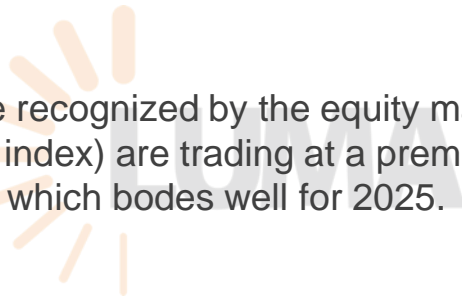
# Recapping Reasons for Optimism



- Equity markets at all time highs
- Ad Tech (LUMA:A) above market
- **Leading indicator of results**

↳ **2025**

To recap, our 6 reasons for optimism are recognized by the equity markets which are at all time highs. In fact, the Ad Tech sector companies (LUMA:A index) are trading at a premium to the strong market. Equity markets are LEADING indicators of performance which bodes well for 2025.





## Strategic Advice for the Digital Age

Thanks for reading.

