



Sectorwatch: Digital Agency

April 2018

Digital Agency

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Overview

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

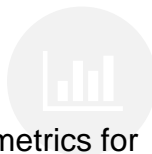
Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



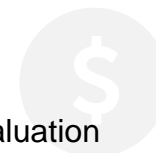
Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth Momentum

↓ -0.01

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

Pricing / Gross Margin Momentum

↓ -2.6%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

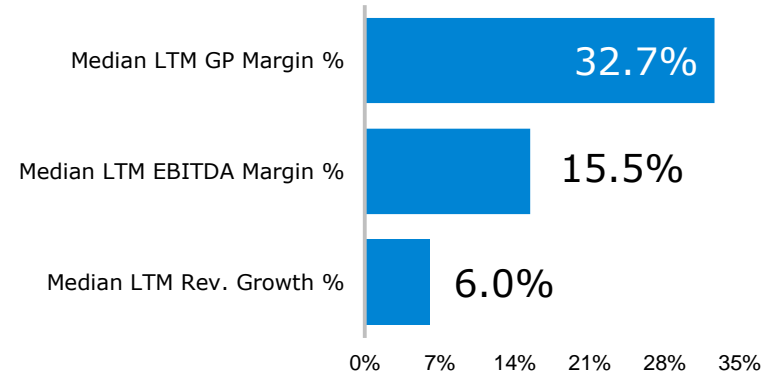
Profitability Momentum

↓ -1.4%

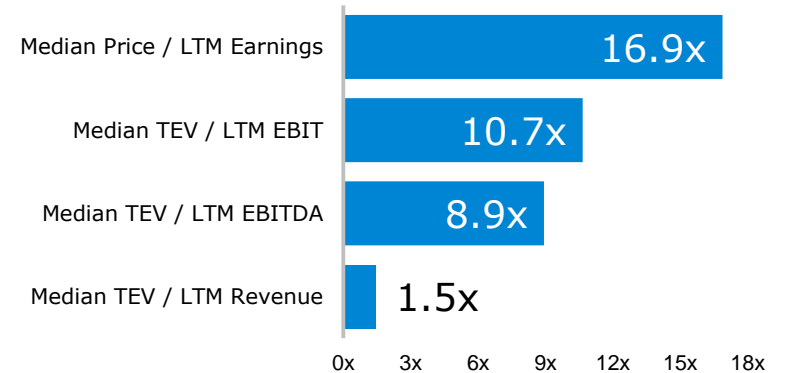
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

Operating Metrics



Valuation



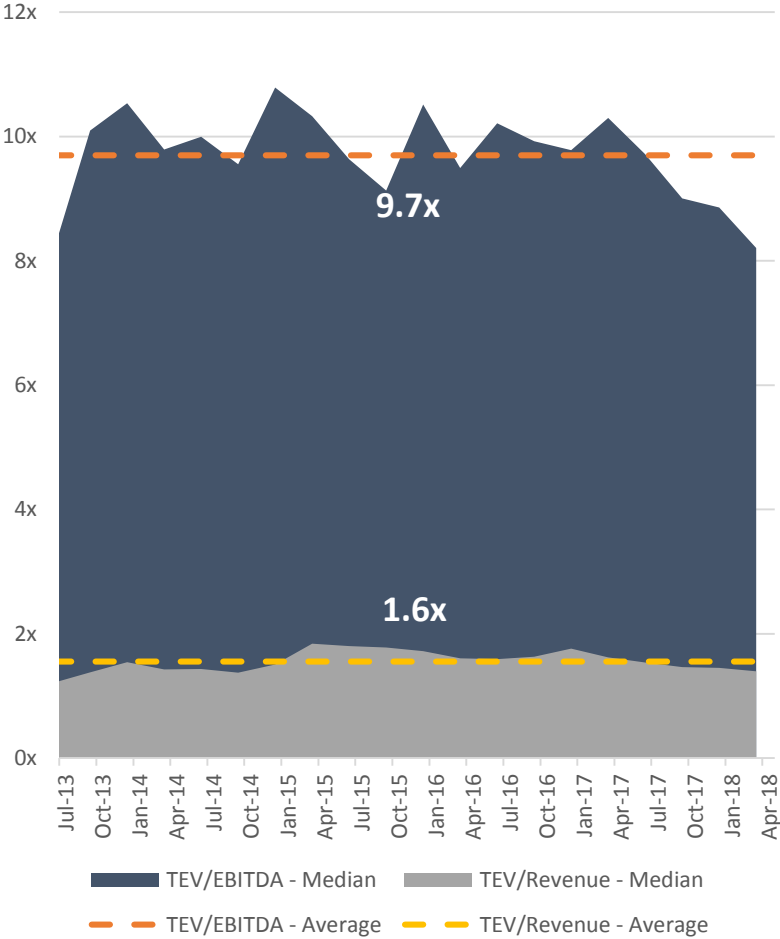
Public Basket



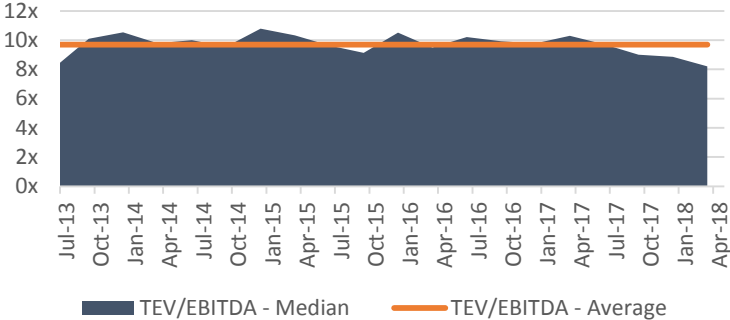
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Hakuhodo DY Holdings Inc	4,202	11,686	6%	20%	5%	0.3	8.0	15,738	743
Ströer SE & Co. KGaA	4,767	1,598	18%	33%	19%	2.9	15.2	7,536	212
CyberAgent, Inc.	6,029	3,398	18%	33%	11%	1.7	16.8	4,416	769
JCDecaux SA	8,186	3,650	2%	33%	17%	2.2	10.9	11,772	310
The Interpublic Group of Companies, Inc.	10,191	7,882	0%	36%	14%	1.3	9.0	50,200	157
Dentsu Inc.	15,320	8,246	11%	94%	20%	1.8	9.0	60,064	137
Publicis Groupe S.A.	17,147	11,635	0%	40%	18%	1.4	7.9	80,000	145
Omnicom Group Inc.	19,813	15,316	-1%	18%	15%	1.3	8.4	77,300	198
WPP plc	26,662	20,633	6%	21%	15%	1.3	7.7	134,413	154
Average	12,480	9,338	7%	36%	15%	1.6	10.3	49,049	314
Median	10,191	8,246	6%	33%	15%	1.4	9.0	50,200	198

share price as of 24Apr18

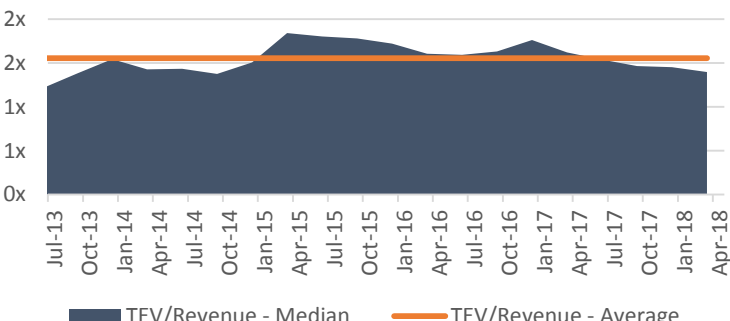
Public Basket Valuation Trends



Public EBITDA Multiples over Time



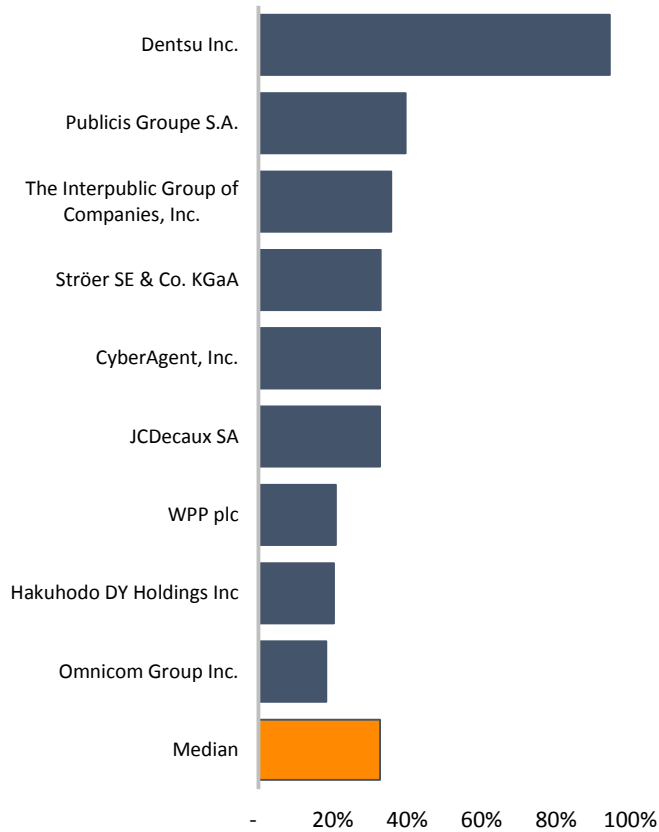
Public Revenue Multiples over Time



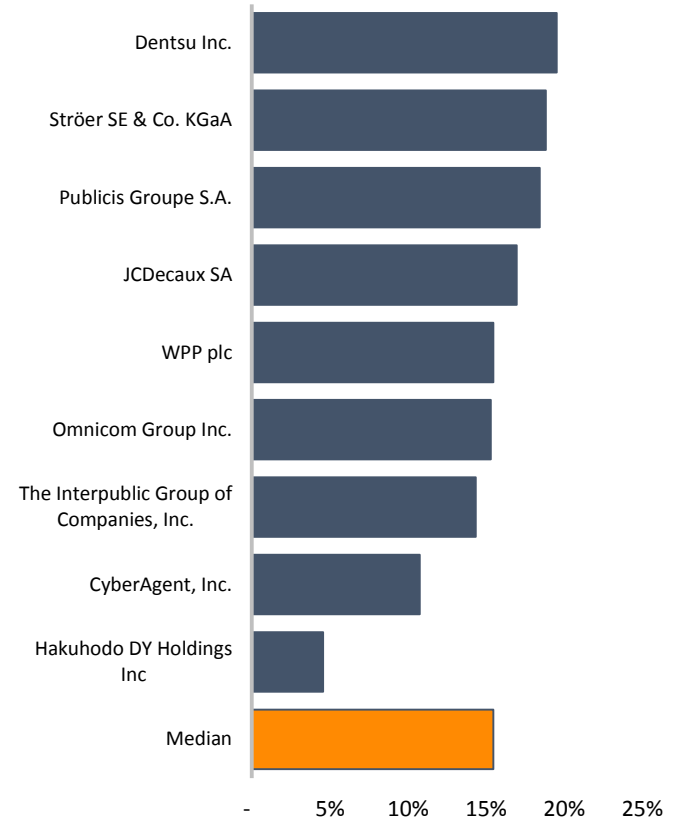
Operational Metrics



LTM Gross Profit Margin %



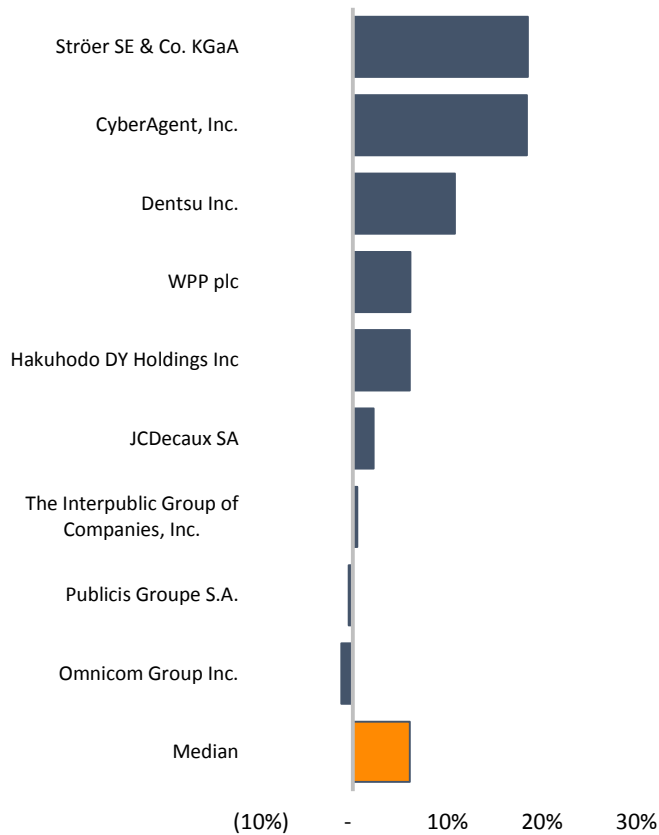
LTM EBITDA %



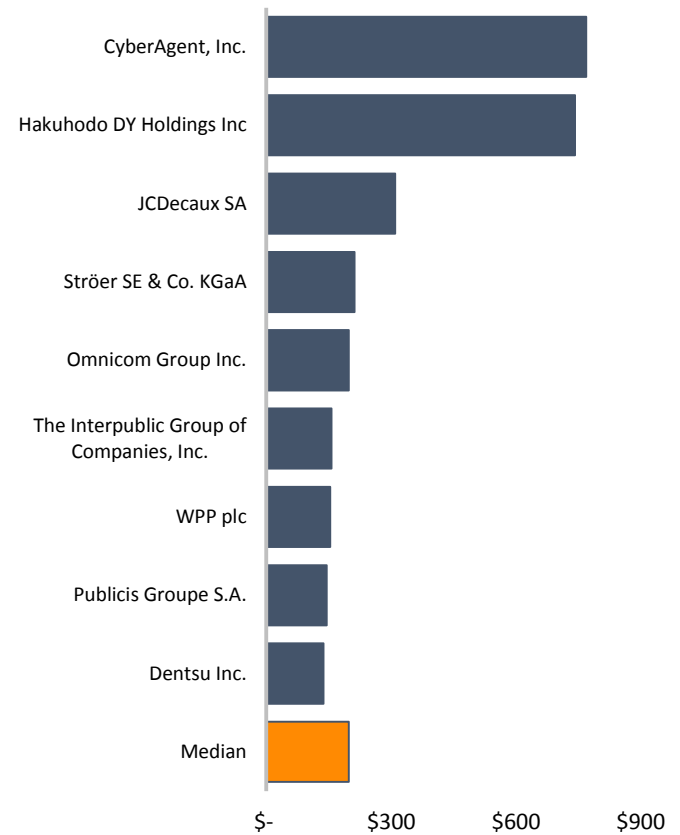
Operational Metrics



LTM Revenue Growth %



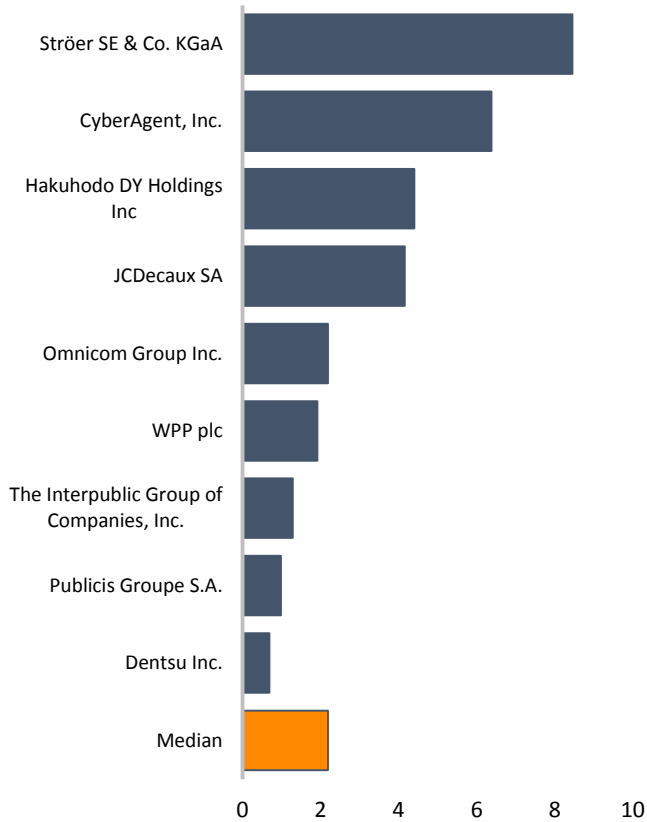
LTM Revenue per Full Time Employee x 000's



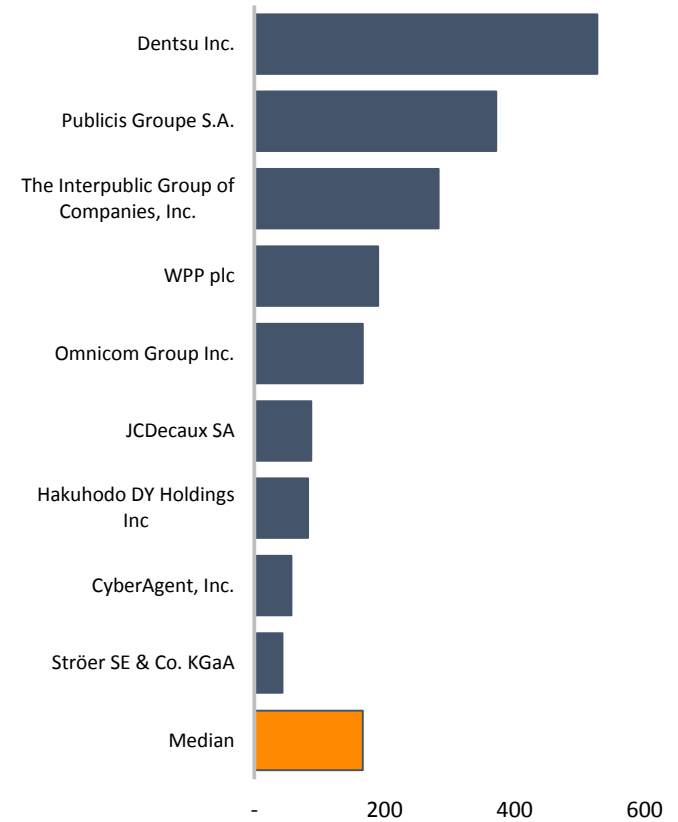
Operational Metrics



Accounts Receivable Turnover



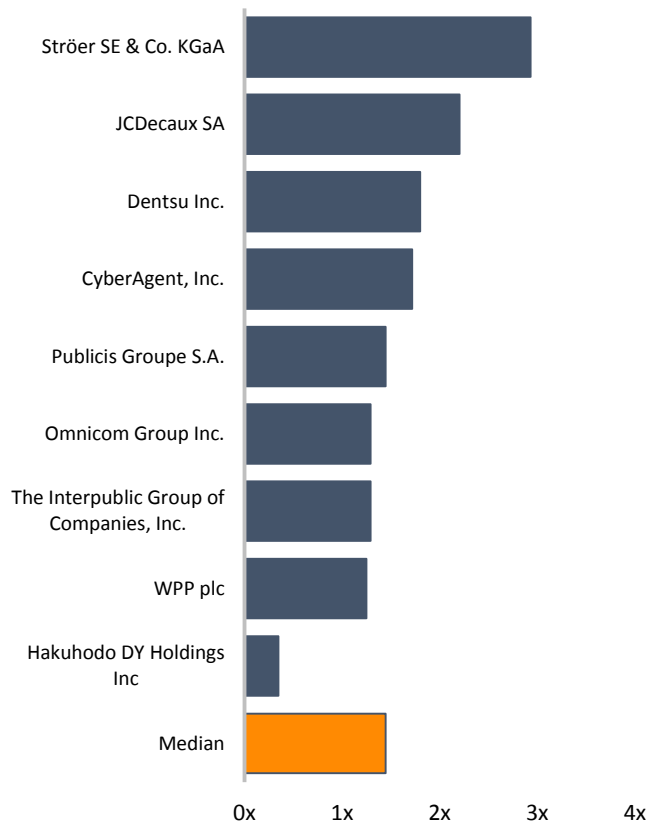
Average Days Sales Outstanding



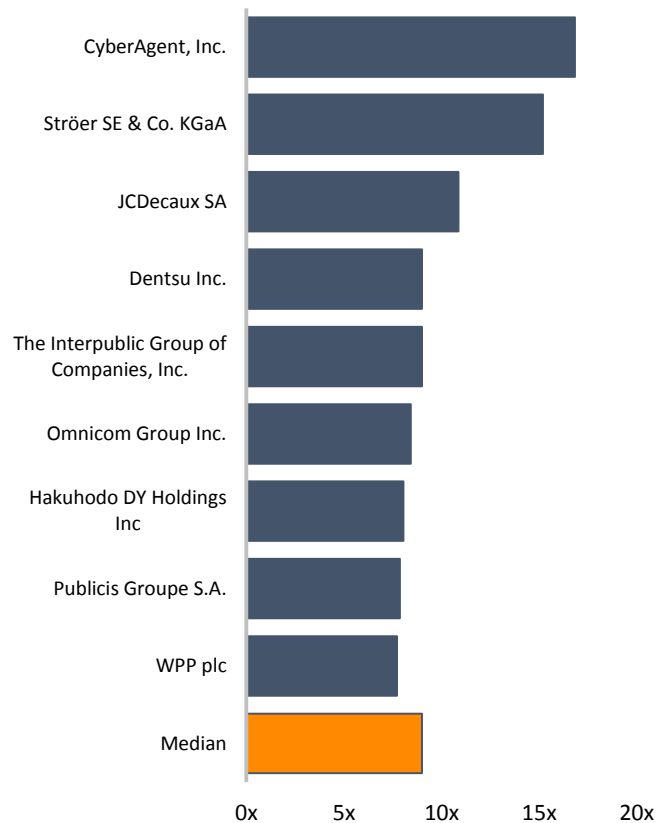
Valuation



TEV / LTM Revenue



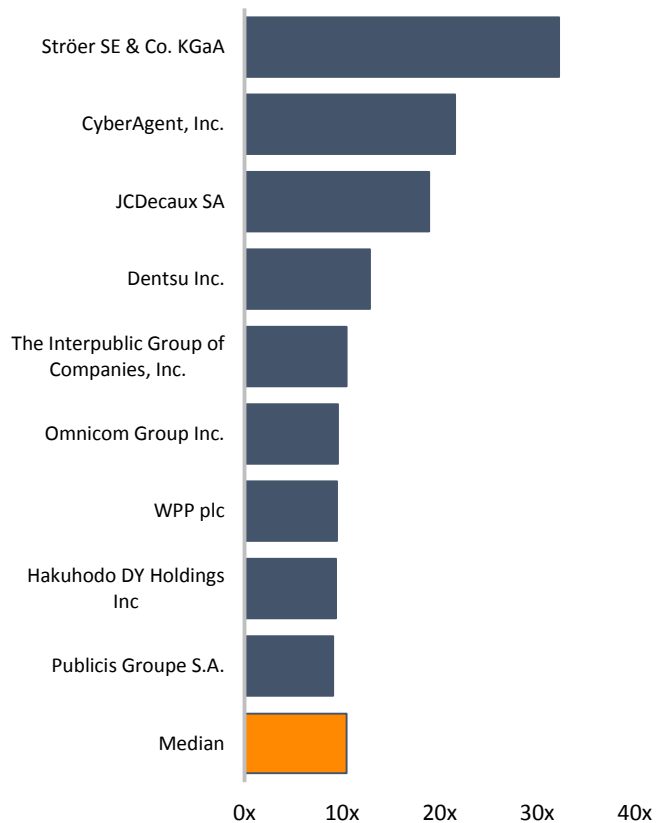
TEV / LTM EBITDA



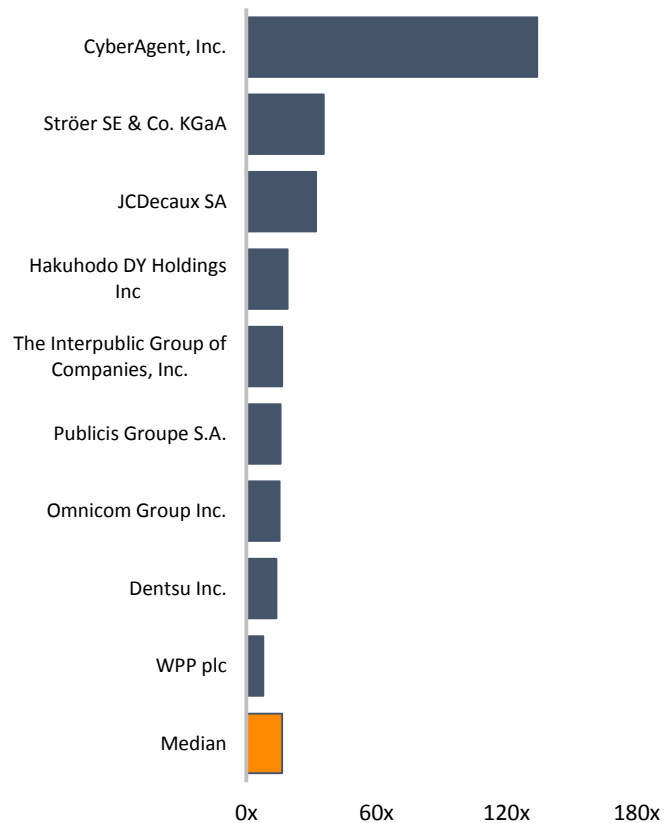
Valuation



TEV / LTM EBIT



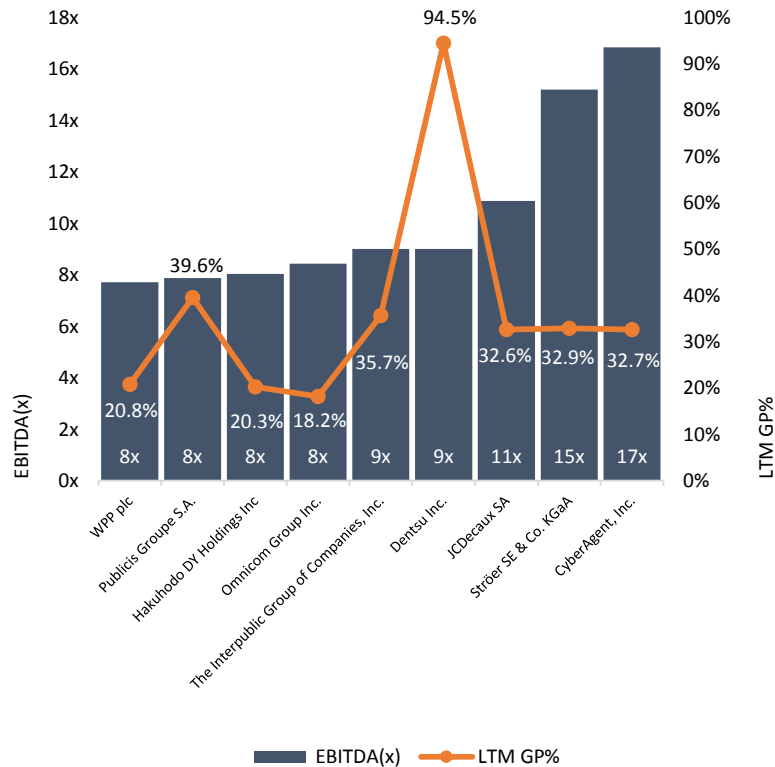
Price / LTM Earnings



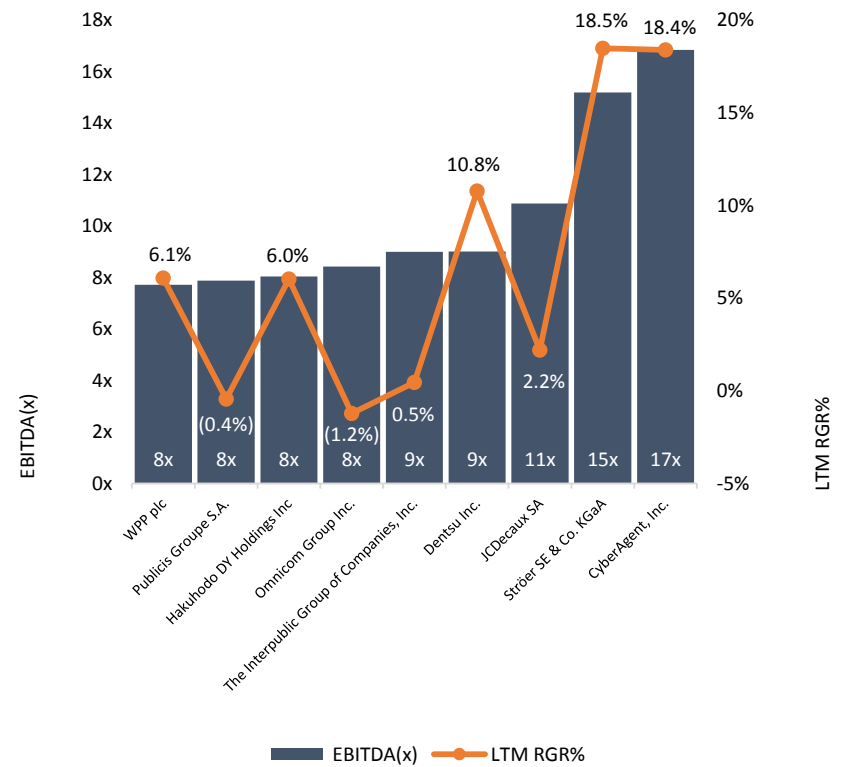
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
29Mar18	Meredith Xcelerated Marketing	Accenture plc	-	-	-	-
15Mar18	Continuum LLC	EPAM Systems, Inc.	-	-	-	-
5Mar18	Fluid Inc.	Astound Commerce Corporation	-	-	-	-
24Jan18	Harte Hanks, Inc.	Wipro LLC	9.93	383.91	-	-
3Jan18	HelloWorld, Inc. (nka:HelloWorld, A Merkle Company)	Merkle Inc.	-	53.00	-	-
18Dec17	ARBA Holdings Ltd.	Ogilvy & Mather Inc.	-	2.21	-	-
14Dec17	Rothco Limited	Accenture plc	-	-	-	-
11Dec17	Diamond Marketing Solutions Group, Inc.	Output Services Group, Inc.	-	-	-	-
22Nov17	Oxyrna Group B.V.	Merkle Inc.	-	35.25	-	-
26Oct17	Zone Ltd	Cognizant Technology Solutions Corporation	-	-	-	-
24Oct17	Netcentric AG	Cognizant Technology Solutions Corporation	-	-	-	-
4Oct17	Vivant Digital Pty Ltd	IBM Interactive Experience	-	-	-	-
29Sep17	Telepathy	ServiceNow, Inc.	-	-	-	-
20Sep17	Pierry, Inc.	Wunderman Limited	-	14.50	-	-
6Sep17	Cogint, Inc. (nka:Fluent, Inc.)	BlueFocus International Marketing Portfolio	-	210.16	-	-
7Sep17	TandemSeven, Inc.	Genpact Limited	-	-	-	-
7Sep17	Delphic, a Hero Digital Company, LLC	HERO Digital LLC	-	-	-	-
29Aug17	DIS/PLAY A/S	AKQA Inc.	-	16.98	-	-
22Aug17	Summa Technologies, Inc.	CGI Group Inc.	-	-	-	-
9Aug17	Wire Stone, LLC	Accenture plc	-	-	-	-
3Aug17	Brilliant Basics Ltd.	Infosys Limited	9.74	-	-	-
31Jul17	Search Technologies Corp.	Accenture plc	-	-	-	-
27Jul17	Sokrati Technologies Pvt Ltd (nka:Merkle Sokrati)	Dentsu Aegis Network Ltd.	-	3.51	-	-
20Jul17	TigerSpike Pty. Ltd.	Concentrix Corporation	-	-	-	-
12Jul17	Clearhead Group LLC	Accenture plc	-	-	-	-
6Jul17	TNG, Inc.	Point B, Inc.	-	-	-	-
28Jun17	Intrepid Pursuits, LLC	Accenture plc	-	-	-	-
1Jun17	PointSource, LLC	Globant S.A.	28.00	-	-	-
15May17	ICiDigital, Inc.	Beringer Capital	-	-	-	-
15May17	Media Hive	Accenture plc	-	-	-	-
7May17	The Monkeys Pty Limited	Accenture plc	-	-	-	-
27Apr17	Zeta Interactive Corp.	GSO Capital Partners LP; FS Investments; GPI Capital Limited	140.00	300.00	-	-
10Apr17	Campbell, Harrington & Brear, Inc.	JPL Integrated Communications, Inc.	-	-	-	-
3Apr17	Blue Acorn, LLC	Beringer Capital; Beringer Capital Fund III L.P.	-	-	-	-
23Mar17	ITELIOS SAS	Cap Gemini S.A. (nka:Capgemini SE)	-	-	-	-
1Mar17	BrilliantService Co.,Ltd.	Cognizant Technology Solutions Corporation	-	-	-	-
28Feb17	Ratio	Globant S.A.	10.80	-	-	-

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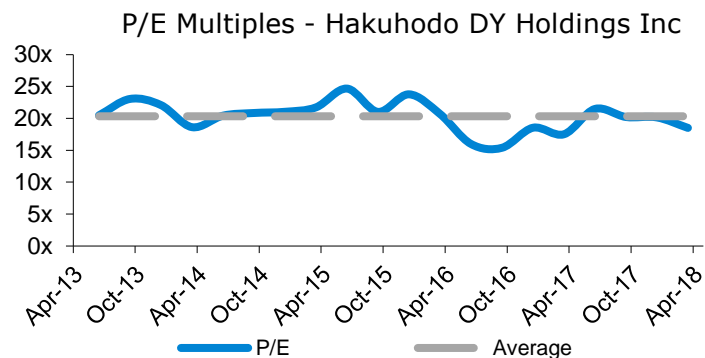
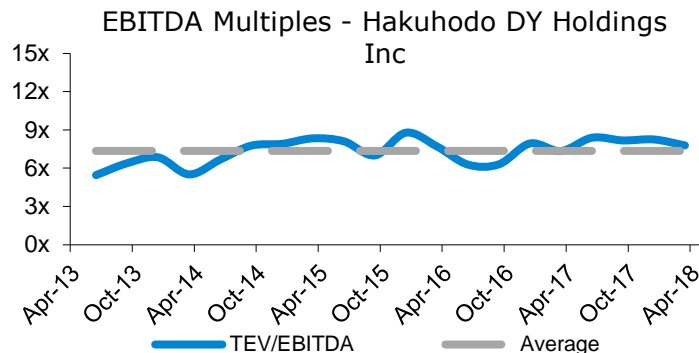
APPENDIX: Public Basket Constituents

Public Basket



Hakuhodo DY Holdings Inc

Hakuhodo DY Holdings Inc., through its subsidiaries, engages in the provision of marketing and communications services to advertisers, media companies, and content holders in Japan and internationally. It offers planning, production, marketing, public relations, and other services related to the presentation of advertising in various media, such as newspapers, magazines, radio, television, and digital media. The company also provides brand development, brand building, sales promotion, and customer management services, as well as plans animation programs and live events. In addition, it is involved in planning, production, buying, and media traffic in media and contents businesses, as well as acts as liaison for the advertising companies. Hakuhodo DY Holdings Inc. was founded in 2003 and is headquartered in Tokyo, Japan.



Date	Key Development Headline
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4/4/18	Hakuhodo DY Holdings Inc (TSE:2433) acquired IdeasXMachina Advertising, Inc.
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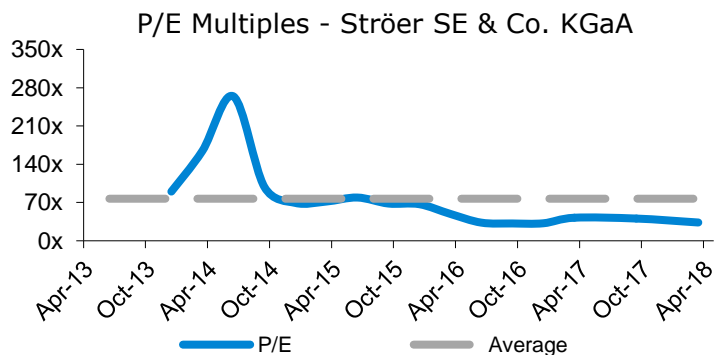
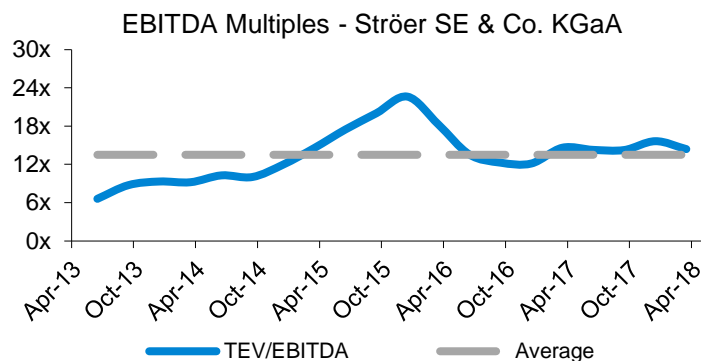
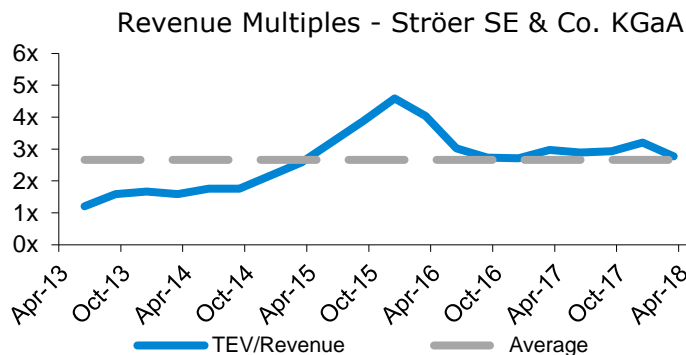
Public Basket



Ströer SE & Co. KGaA

Ströer SE & Co. KGaA provides out-of-home and online advertising services to private and corporate customers in Germany, Turkey, and internationally. The company operates through three segments: Ströer Digital, Out-of-Home Germany, and Out-of-Home International. Its out-of-home advertising solutions covers various forms of outdoor advertising media, such as traditional posters; advertisements at bus and tram stop shelters, and on public transport; and digital and interactive solutions. The company markets approximately 300,000 outdoor advertising spaces. It also offers digital advertising on the Internet and on mobile devices, as well as in public spaces as a public video network. The company operates approximately 1,000 Websites. The company was formerly known as Ströer SE. Ströer SE & Co. KGaA is headquartered in Cologne, Germany.

Date	Key Development Headline
1/28/18	Ströer SE & Co. KGaA (DB:SAX) entered into purchase agreement to acquire D+S communication center management GmbH from CMP German Opportunity Fund II (SCA) SICAR, managed by CMP Capital Management-Partners GmbH.
12/28/17	Zur Rose Group AG (SWX:ROSE) completed the acquisition of Vitalsana B.V. from Ströer SE & Co. KGaA (DB:SAX).
12/11/17	Ströer SE & Co. KGaA (DB:SAX) completed the acquisition of a majority stake in UAM Media Group GmbH.



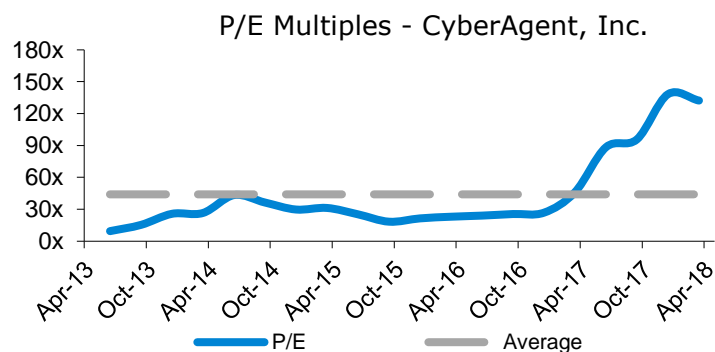
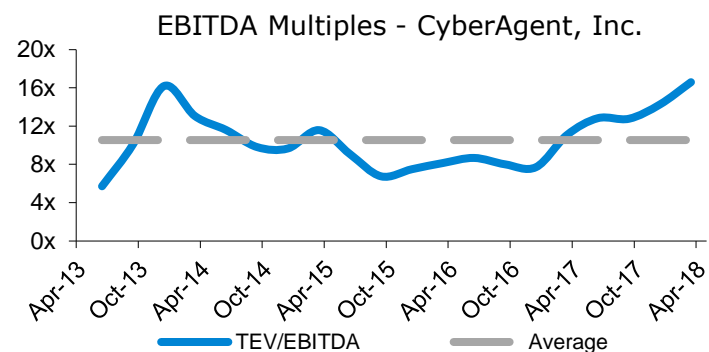
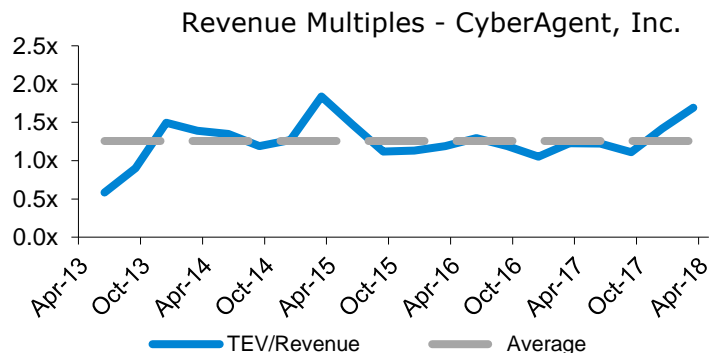
Public Basket



CyberAgent, Inc.

CyberAgent, Inc. engages in the media, Internet advertising, game, and investment training businesses primarily in Japan. The company offers a range of services, such as Internet TV station, blog, love life, and music distribution; Internet advertising agency and ad tech services; and smartphone games. It also operates a programming school for kids; and provides application and reward points exchange platform services. In addition, the company offers services in the areas related to Internet. CyberAgent, Inc. was founded in 1998 and is headquartered in Tokyo, Japan.

Date	Key Development Headline
3/29/18	CyberAgent, Inc. (TSE:4751) signed a contract to acquire AVATTA, Inc.
9/21/17	CyberAgent, Inc. (TSE:4751) acquired DDT Pro Wrestling Co., Ltd.

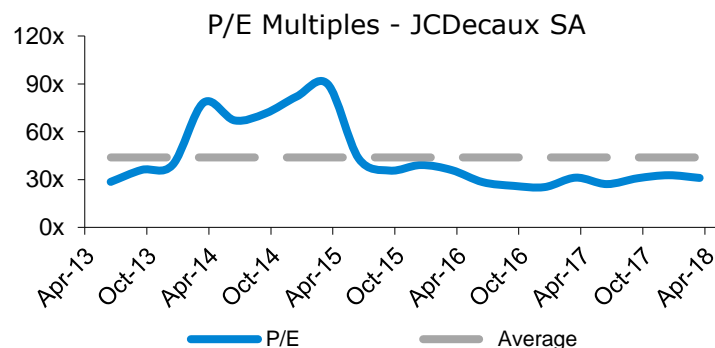
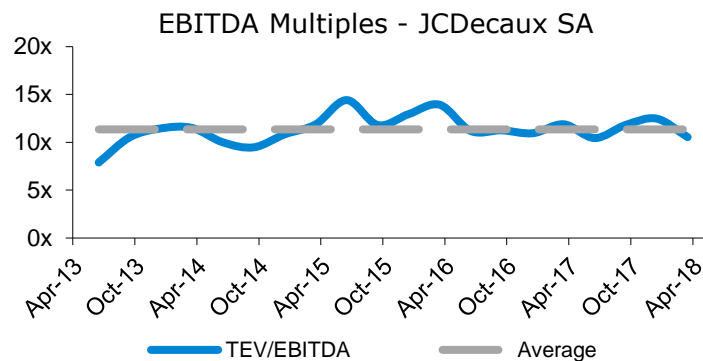
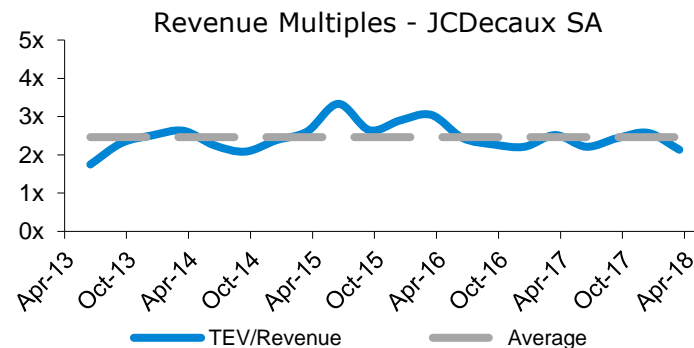


Public Basket



JCDecaux SA

JCDecaux SA, together with its subsidiaries, engages in outdoor advertising activities worldwide. The company operates in three segments: Street Furniture, Transport, and Billboard. The Street Furniture segment is involved in advertising in shopping malls; renting street furniture; selling and renting equipment; and the provision of cleaning, maintenance, and other services. This segment provides bus shelters, freestanding information panels, automated public toilets, advertising panels, multi-service columns, self-service bicycle schemes, kiosks for flowers or newspapers, public rubbish bins, benches, public information or city light panels, streetlights, static/dynamic street signage, recycling bins for glass/batteries/paper, electronic message boards, and interactive terminals. The Transport segment provides advertising services in public transport systems, such as airports, subways, buses, tramways, and trains. JCDecaux SA is a subsidiary of JCDecaux Holding SA.



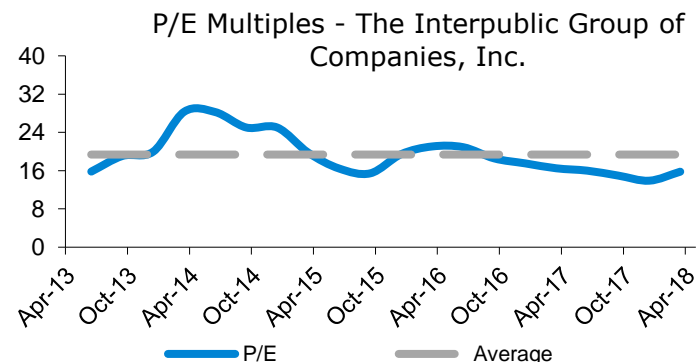
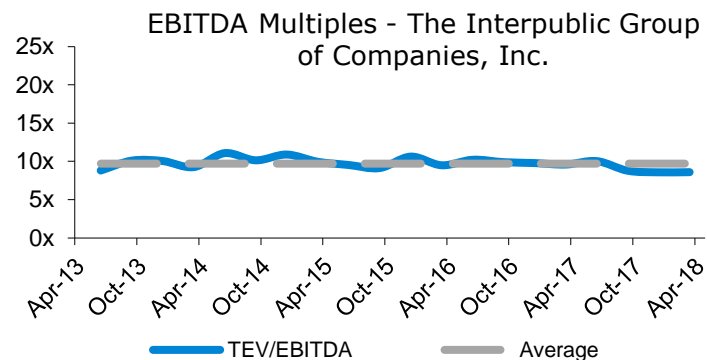
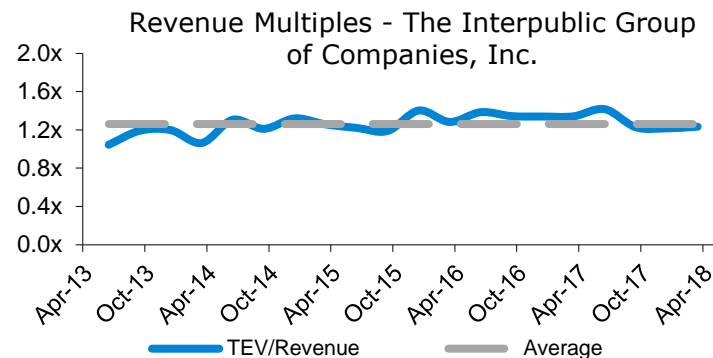
Date	Key Development Headline
3/8/18	JCDecaux SA (ENXTPA:DEC) Mulls Acquisitions
6/27/17	América Móvil, S.A.B. de C.V. Enters into Joint Venture with JCDecaux SA
6/26/17	JCD Out Of Home Mexico, S.A. de C.V. agreed to acquire Eumex, S.A. de C.V. from JCDecaux SA (ENXTPA:DEC) and others.

Public Basket



The Interpublic Group of Companies, Inc.

The Interpublic Group of Companies, Inc. provides advertising and marketing services worldwide. The company operates through two segments, Integrated Agency Networks and Constituency Management Group. It offers consumer advertising, digital marketing, communications planning and media buying, public relations, and specialized communications disciplines. The company also provides various diversified services, including public relations, meeting and event production, sports and entertainment marketing, corporate and brand identity, and strategic marketing consulting. It offers its services under various brands comprising McCann, MullenLowe, IPG Mediabrands, Carmichael Lynch, Deutsch, Hill Holliday, and The Martin Agency, as well as Foote, Cone & Belding. The company was formerly known as McCann-Erickson Incorporated and changed its name to The Interpublic Group of Companies, Inc. in January 1961. The Interpublic Group of Companies, Inc. was founded in 1902 and is headquartered in New York, New York.



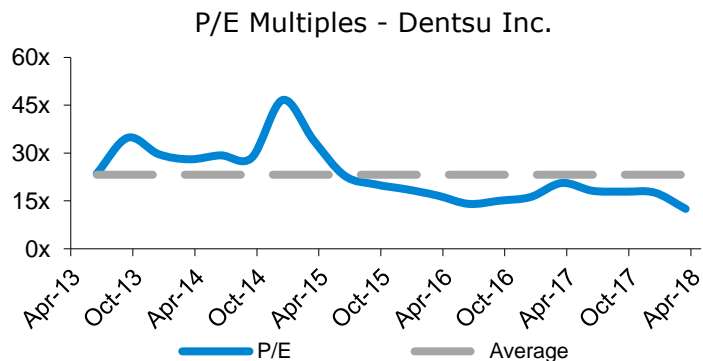
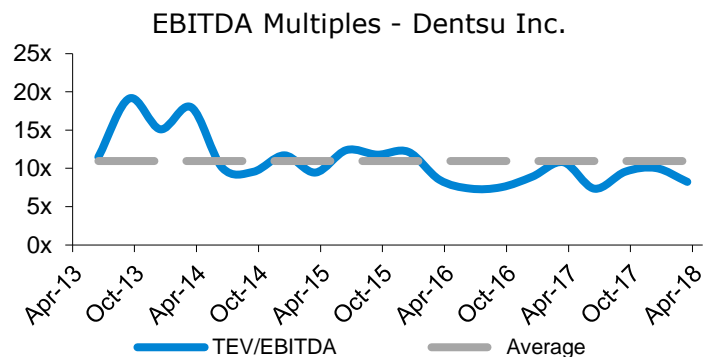
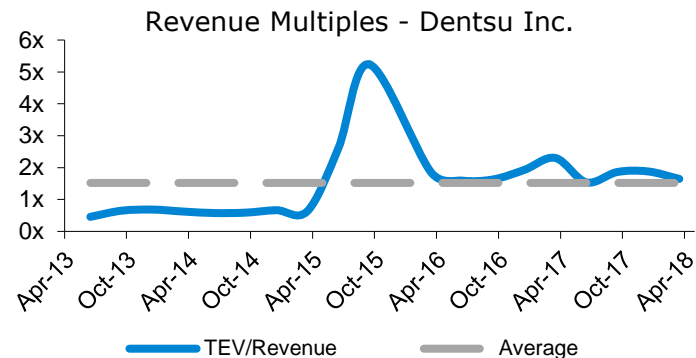
Date	Key Development Headline
5/3/17	Management team led by Chief Executive Officer Becca Weigman acquired TM Advertising LP from The Interpublic Group of Companies, Inc. (NYSE:IPG).

Public Basket



Dentsu Inc.

Dentsu Inc. provides advertising services in Japan and internationally. The company offers advertising through media, including newspapers, magazines, radio, television, Internet, sales promotion, movies, outdoor events, public transportation, and others; and event marketing, sports marketing, public relations, contents, creative, and other services to its clients. It also provides information services and information-related products, including information systems building and software sales and support; and other services, such as office rental, building maintenance, and computation fiduciary services. Dentsu Inc. was founded in 1901 and is headquartered in Tokyo, Japan.



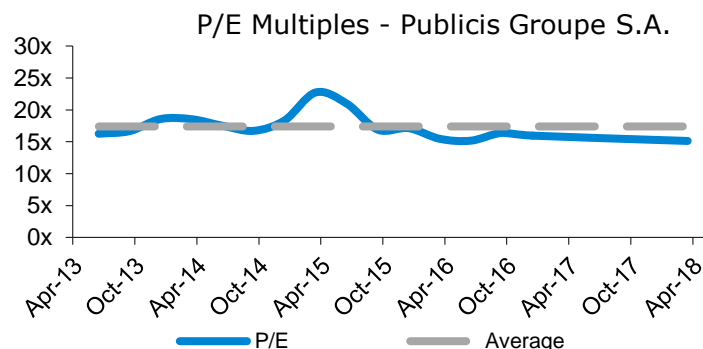
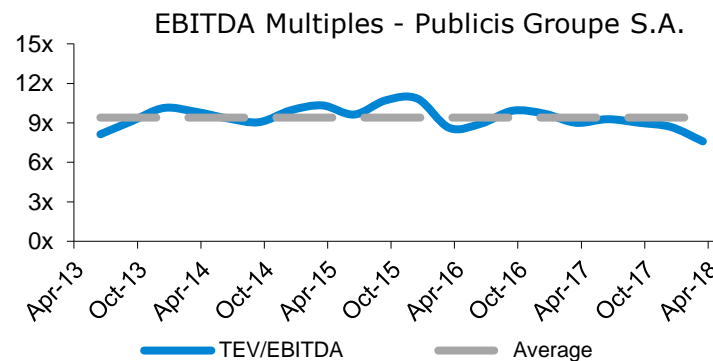
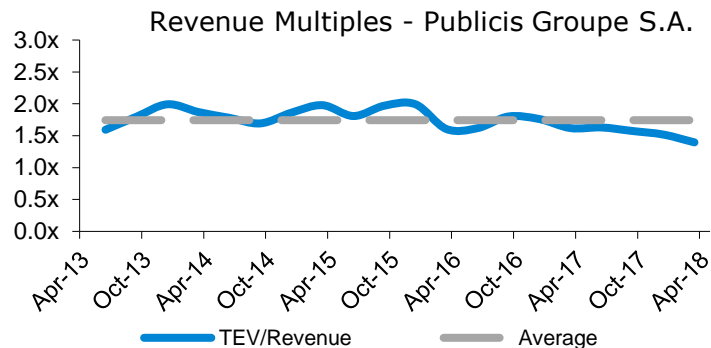
Date	Key Development Headline
3/12/18	Dentsu Inc. (TSE:4324) agreed to acquire 7% stake in W TOKYO, Inc. for approximately ¥280 million.
2/8/18	Dentsu Inc. (TSE:4324) made an agreement to acquire an unknown majority stake in Data Artist Inc. from major shareholders.
12/12/17	PCI Holdings, Inc. (TSE:3918) completed the acquisition of Leafnet Co., Ltd. from Dentsu Inc. (TSE:4324), Takeshi Oka, Yumi Oka, Yuuki Oka, Nankyo Kagaya, and other sellers.
12/5/17	Dentsu Inc. (TSE:4324) entered into an agreement to acquire Swirl, Inc.
11/14/17	PCI Holdings, Inc. (TSE:3918) entered into contract to acquire Leafnet Co., Ltd. from Dentsu Inc. (TSE:4324), Takeshi Oka, Yumi Oka, Yuuki Oka, Nankyo Kagaya, and other sellers for ¥1.4 billion.

Public Basket



Publicis Groupe S.A.

Publicis Groupe S.A. provides marketing, communication, and digital transformation services worldwide. It offers creative solutions, such as direct marketing, customer relationship management, sales promotion and point-of-sale marketing, public relations, corporate and financial communication, events communication, and multicultural or ethnic communication services, as well as engages in the video production and broadcast business. The company also provides media consulting/media planning and media buying services. In addition, it is involved in the creation of corporate or commercial Websites and intranets, online direct marketing consulting, social network expertise, search engine optimization, Internet ads, and all forms of Internet and mobile communication; and provision of communications in the areas of healthcare and well-being under the Digitas Health and Publicis Health Media brands. The company serves clients in consumer goods, finance, automobile, TMT, healthcare, food and beverage, leisure/energy/luxury, retail, and other sectors. Publicis Groupe S.A. was founded in 1926 and is headquartered in Paris, France.



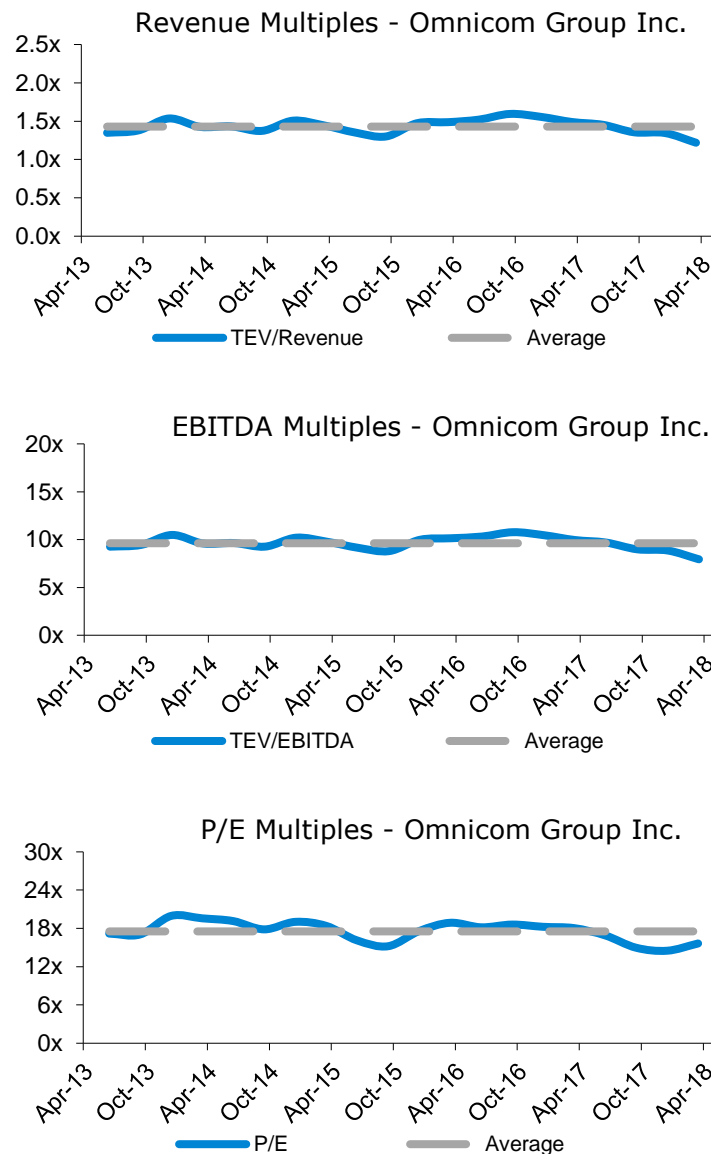
Date	Key Development Headline
4/9/18	Publicis Groupe S.A. (ENXTPA:PUB) acquired Ecosys OOH.
3/20/18	Publicis Groupe Seeks Acquisitions
2/7/18	An undisclosed buyer agreed to acquire Genedigi Group from Publicis Groupe S.A. (ENXTPA:PUB).
7/20/17	Publicis Groupe Seeks Acquisitions

Public Basket



Omnicom Group Inc.

Omnicom Group Inc., together with its subsidiaries, provides advertising, marketing, and corporate communications services. The company offers a range of services in the areas of advertising, customer relationship management, public relations, and healthcare. Its services comprises advertising, branding, content marketing, corporate social responsibility consulting, crisis communication, custom publishing, data analytics, database management, digital/direct marketing, digital transformation, financial/corporate business-to-business advertising, graphic arts/digital imaging, healthcare marketing and communications, and instore design services. The company's services also include direct, entertainment, experiential, field, interactive, mobile, multi-cultural, non-profit, shopper, promotional, retail, search engine, social media, and sports and event marketing services; and investor relations, marketing research, media planning and buying, organizational communications, package design, product placement, public affairs, public relations, and merchandising and point of sale services. Omnicom Group Inc. was founded in 1944 and is based in New York, New York.



Date	Key Development Headline
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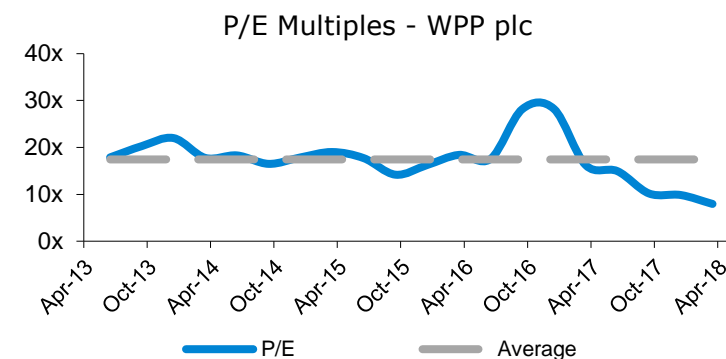
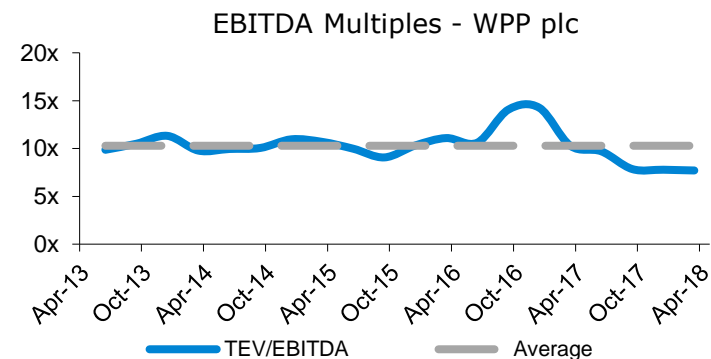
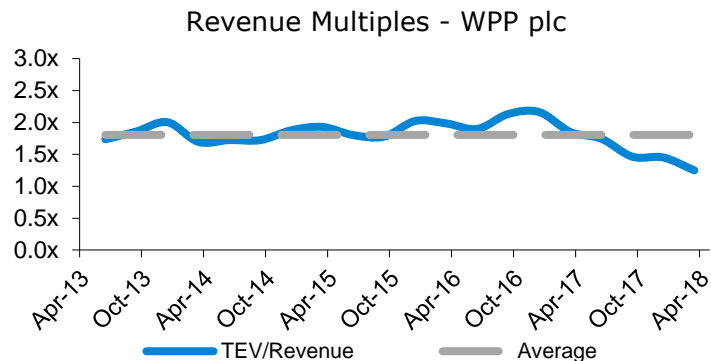
2/15/18	Omnicom Seeks Acquisitions
10/17/17	Omnicom Seeks Acquisitions
7/20/17	Omnicom Looking For Acquisitions

Public Basket



WPP plc

WPP plc provides various communications services worldwide. The company operates through four segments: Advertising and Media Investment Management; Data Investment Management; Public Relations & Public Affairs; and Branding & Identity, Healthcare and Specialist Communications. The Advertising and Media Investment Management segment provides advertising services; and media planning and buying, and specialist sponsorship, and branded entertainment services. The Data Investment Management segment offers brand, consumer, media, and marketplace insight services. The Public Relations & Public Affairs segment provides corporate, consumer, financial, and brand-building services. WPP plc was founded in 1985 and is based in London, the United Kingdom.



Date	Key Development Headline
3/1/18	WPP Mulls Acquisitions
1/23/18	Otter Media Holdings, LLC acquired the remaining stake in Fullscreen, Inc. from WPP plc (LSE:WPP), George Stromopolos (founder and Chief Executive Officer of Fullscreen) and others.
11/8/17	PlayAd Media Group AB acquired FlowNetwork from Brita Sohlberg, Harald Mix, Michael Werner, Staffan Samuelsson and others.
8/22/17	WPP plc (LSE:WPP) acquired Design Bridge Ltd.
7/30/17	WPP plc (LSE:WPP) completed the acquisition of Thjnk AG.

Contact Information

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions, and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. Securities offered through 7M Securities LLC.

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