

SECTORWATCH:
Digital Agency
January 2018

7 MILE 
ADVISORS

SECTORWATCH:
Digital Agency

January 2018

- Sector Dashboard
- Public Basket Performance
- Operational Metrics
- Valuation Comparison
- Recent Deals
- Appendix

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OVERVIEW



Dashboard

summary metrics on the sector, with 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

a more graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

the most recently announced sector deals

About Us

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.

Sectorwatch

We publish sectorwatch, a review of M&A and operational trends in the industries we focus.

Let us know if we can help

Contact us if there are ways we can assist your M&A or financing strategy.

DASHBOARD

Revenue Growth Momentum

↓ -0.08

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

↓ -1.5%

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

↓ -0.1%

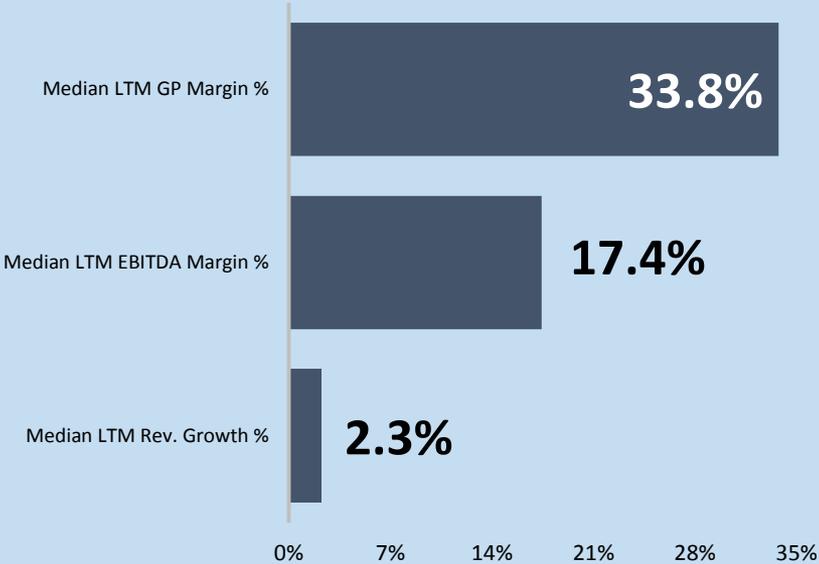
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

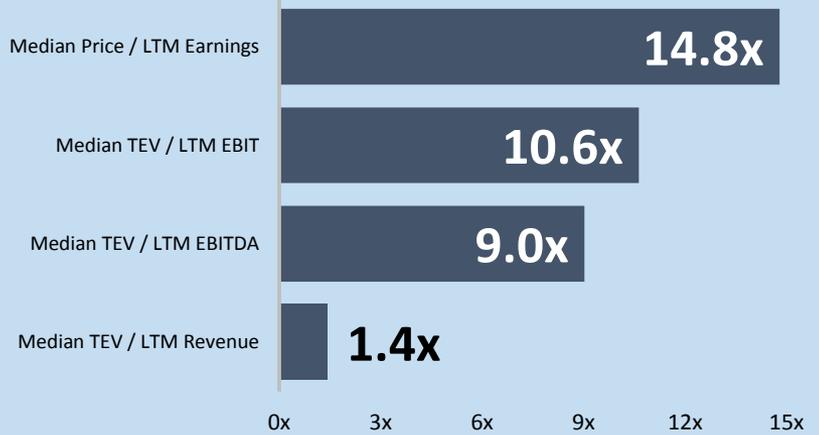
PUBLIC BASKET CONSTITUENTS

- TSE:2433
- TSE:4751
- ENXTPA:HAV
- DB:SAX
- ENXTPA:DEC
- NYSE:IPG
- TSE:4324
- ENXTPA:PUB
- NYSE:OMC
- LSE:WPP

Operating Metrics



Valuation

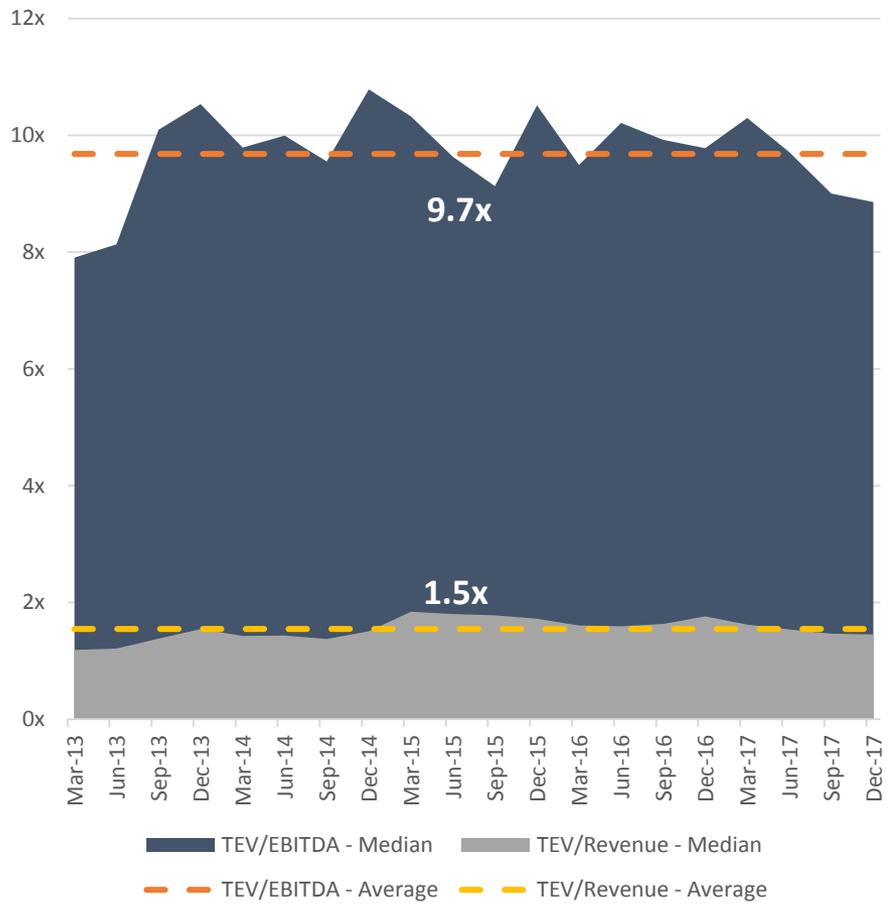


PUBLIC BASKET PERFORMANCE

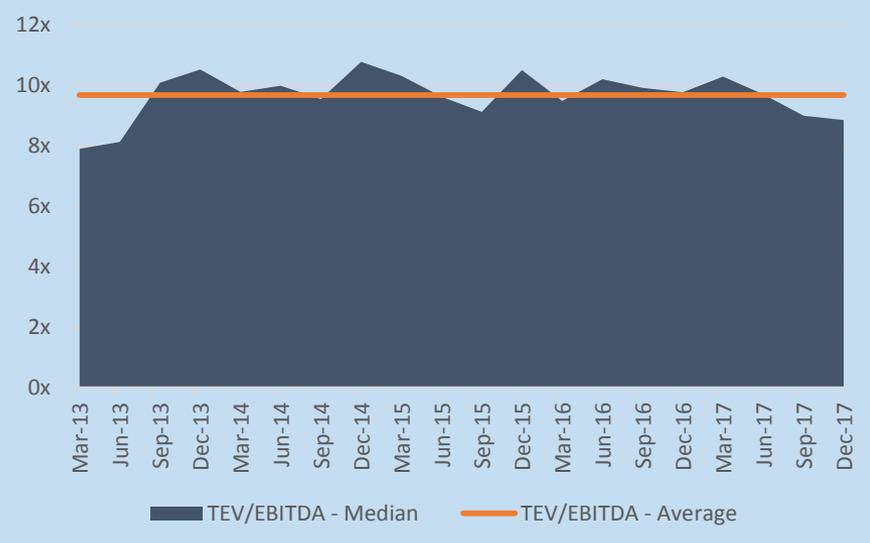
| Company | TEV \$m | LTM Rev \$m | Rev Growth YoY | GP % | EBITDA % | TEV / Rev X | TEV / EBITDA X | # FTEs | Rev / FTE \$k |
|--|---------|-------------|----------------|------|----------|-------------|----------------|---------|---------------|
| Hakuhodo DY Holdings Inc | 4,343 | 11,481 | 4% | 20% | 4% | 0.4 | 8.9 | 15,738 | 730 |
| CyberAgent, Inc. | 4,625 | 3,298 | 20% | 33% | 11% | 1.4 | 13.9 | 4,416 | 747 |
| Ströer SE & Co. KGaA | 4,998 | 1,498 | 22% | 34% | 20% | 3.3 | 16.0 | 4,577 | 327 |
| JCDecaux SA | 9,678 | 3,423 | 2% | 32% | 17% | 2.7 | 13.0 | 11,741 | 292 |
| The Interpublic Group of Companies, Inc. | 9,998 | 7,806 | 0% | 35% | 14% | 1.3 | 9.0 | 49,800 | 157 |
| Dentsu Inc. | 15,748 | 8,057 | 0% | 94% | 18% | 1.9 | 10.3 | 55,843 | 144 |
| Publicis Groupe S.A. | 17,728 | 11,207 | 0% | 39% | 18% | 1.5 | 8.6 | 78,913 | 142 |
| Omnicom Group Inc. | 20,986 | 15,339 | 0% | 18% | 15% | 1.4 | 9.0 | 78,500 | 195 |
| WPP plc | 29,351 | 19,814 | 18% | 86% | 18% | 1.4 | 7.6 | 134,341 | 147 |
| Average | 13,051 | 9,102 | 7% | 44% | 15% | 1.7 | 10.7 | 48,208 | 320 |
| Median | 9,998 | 8,057 | 2% | 34% | 17% | 1.4 | 9.0 | 49,800 | 195 |

share price as of 12Jan18

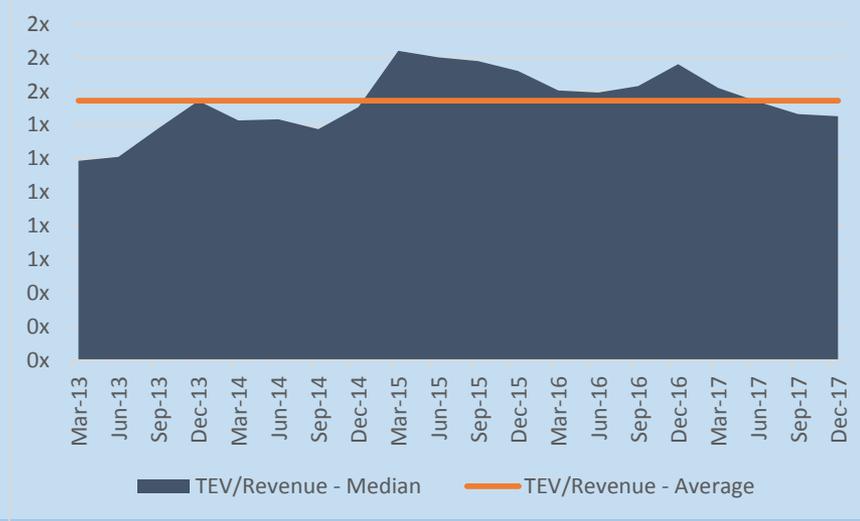
PUBLIC BASKET VALUATION TRENDS



Public EBITDA Multiples Over Time



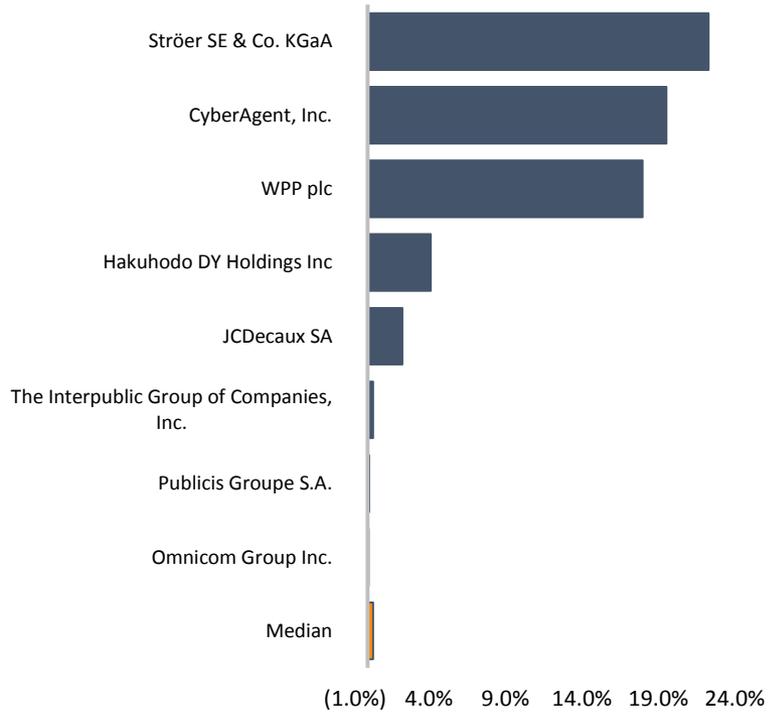
Public Revenue Multiples Over Time



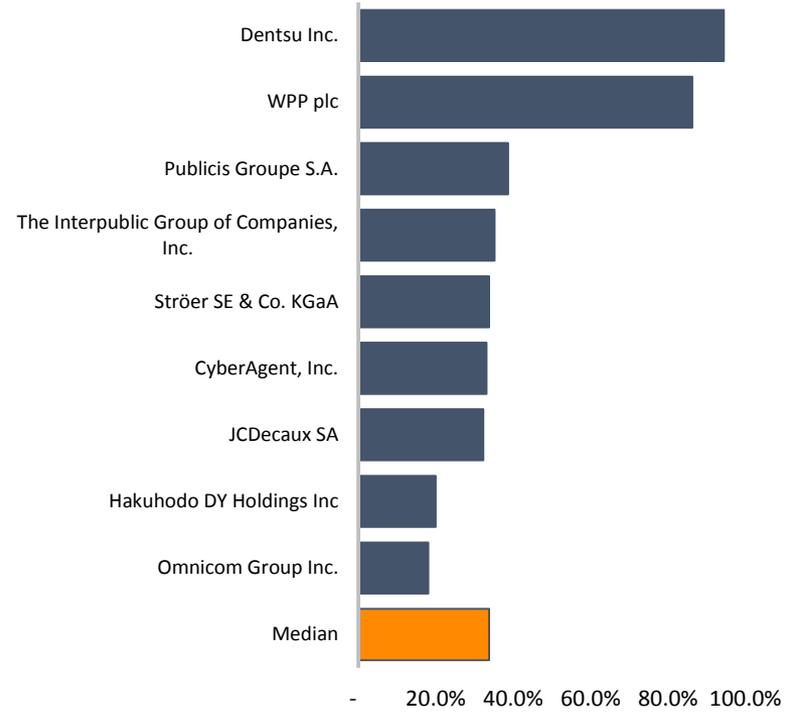
OPERATIONAL METRICS



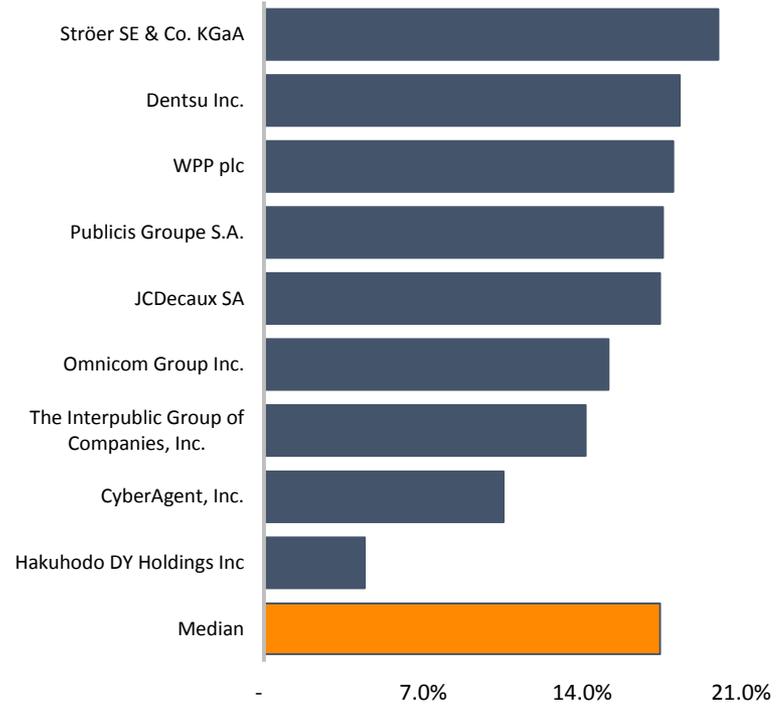
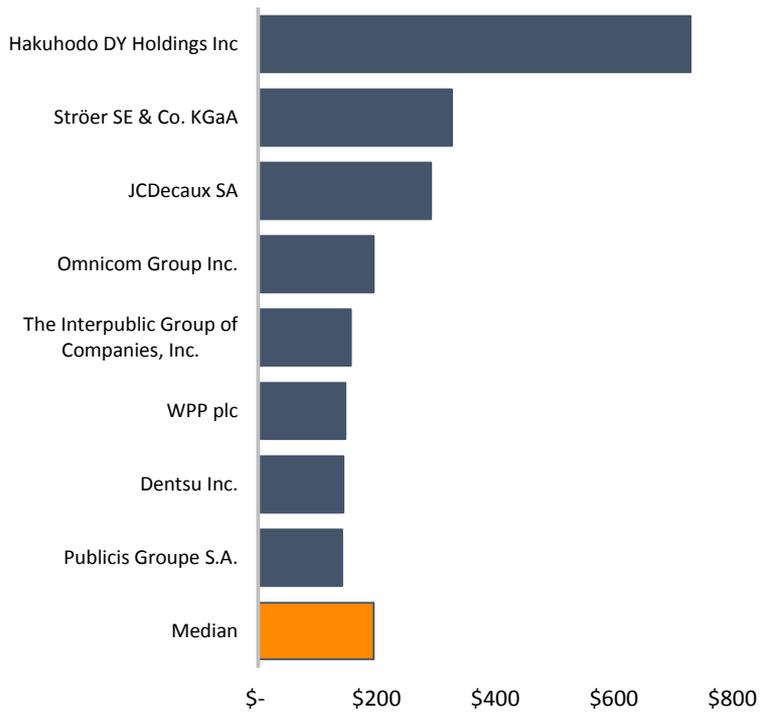
LTM Revenue Growth %



LTM Gross Profit Margin %



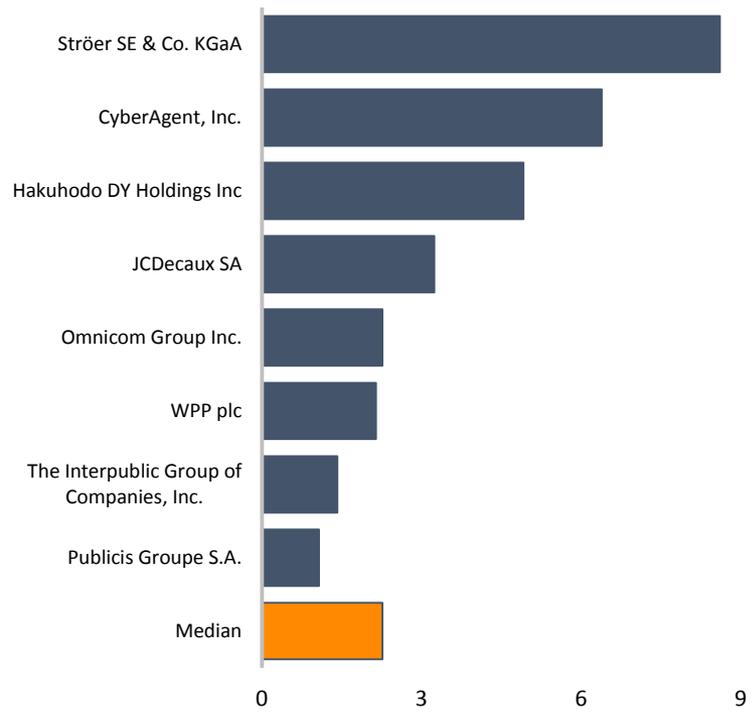
OPERATIONAL METRICS



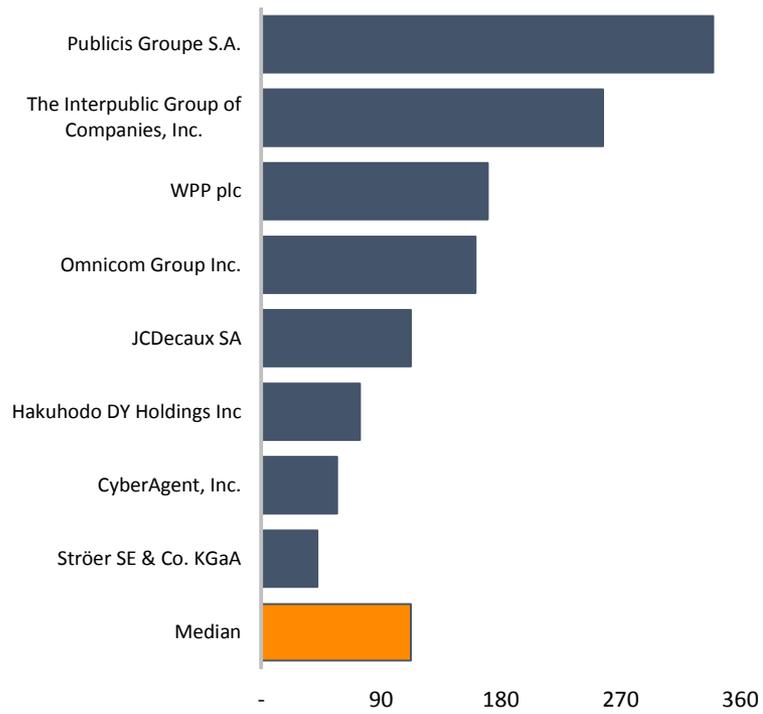
OPERATIONAL METRICS



Accounts Receivable Turnover



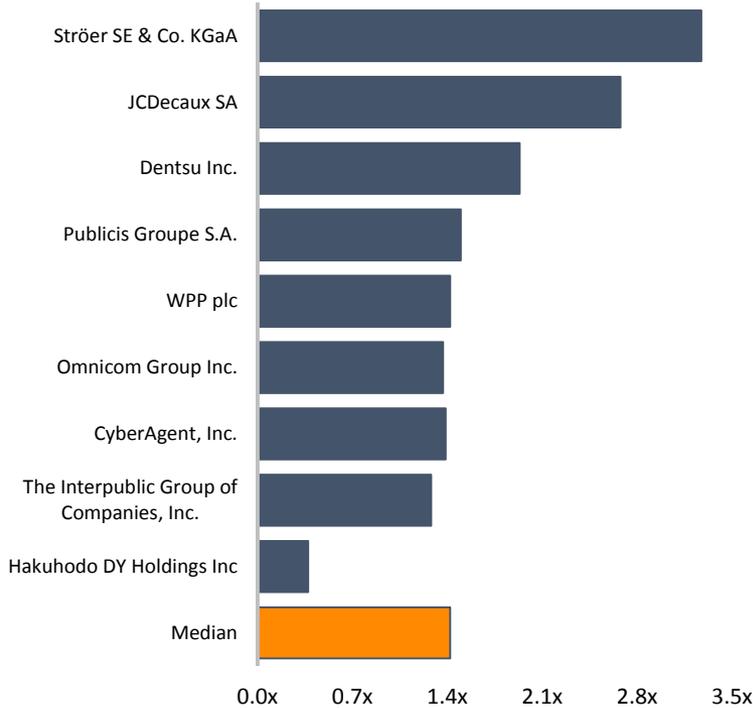

Average Days Sales Outstanding



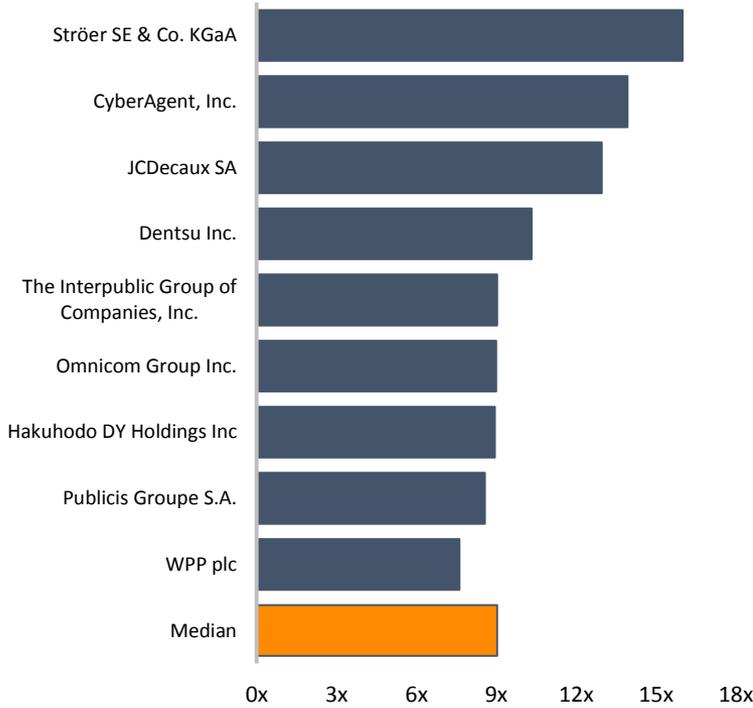
VALUATION



TEV / LTM Revenue



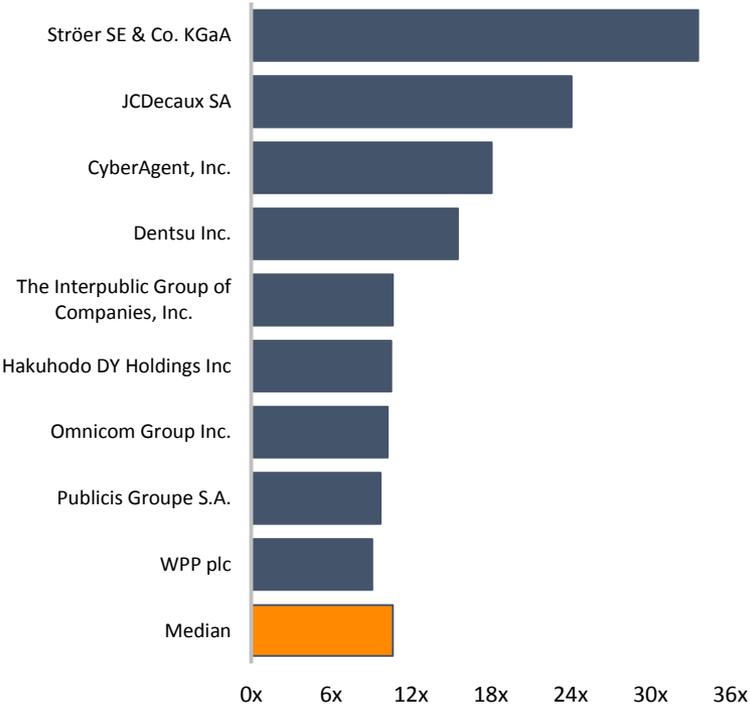
TEV / LTM EBITDA



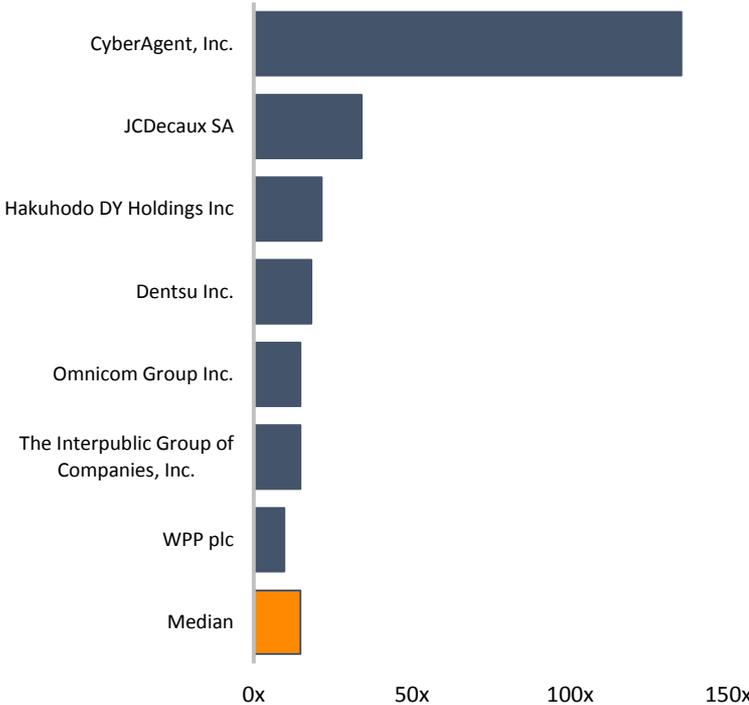
VALUATION



TEV / LTM EBIT



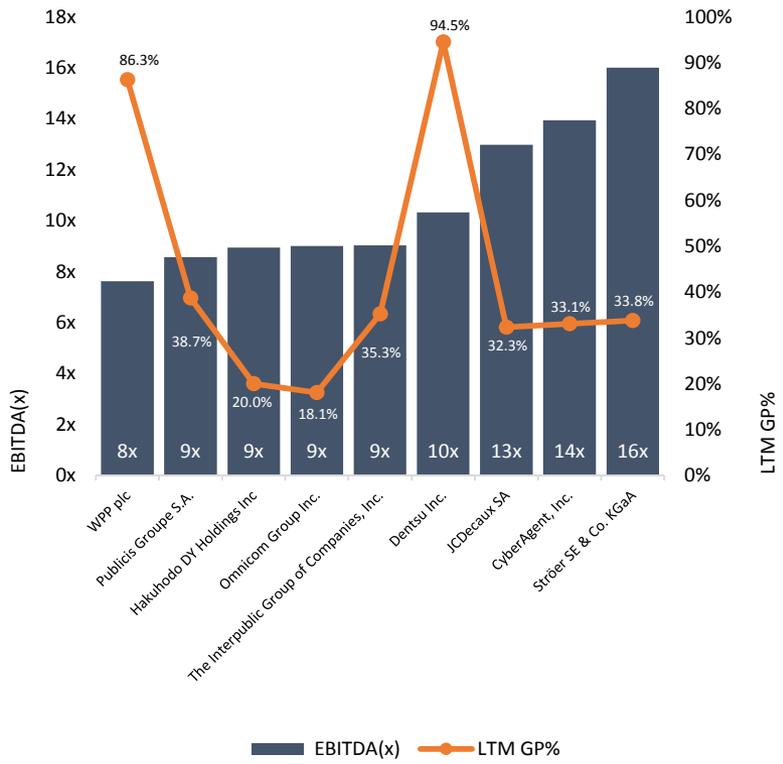
Price / LTM Earnings



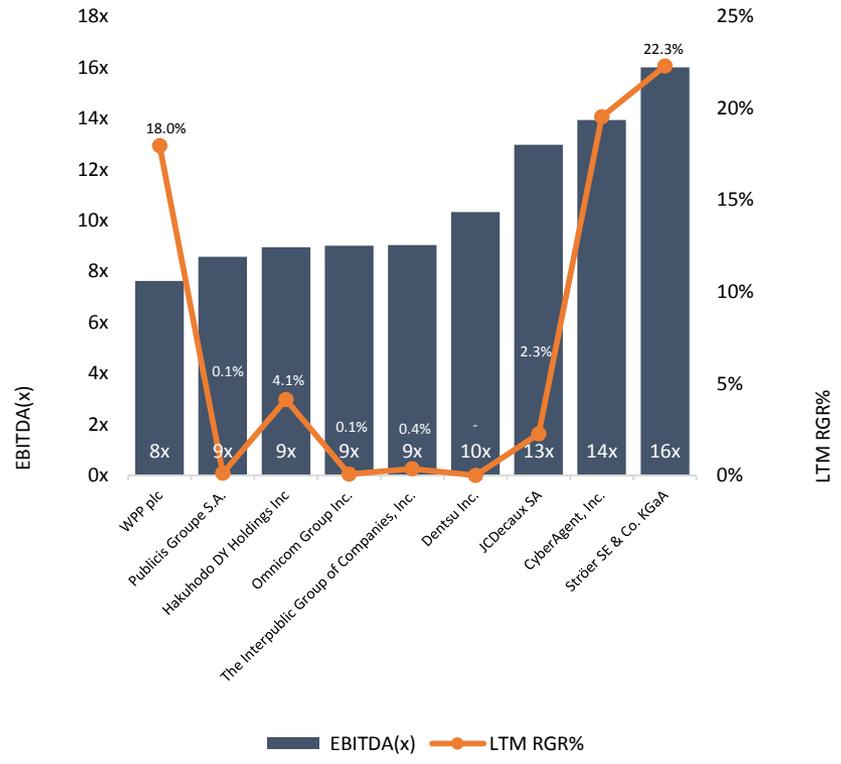
VALUATION



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



RECENT TRANSACTIONS

| Date | Target | Buyer | Total Transaction Value | Target Revenue | TEV / Revenue | TEV / EBITDA |
|---------|---|---|-------------------------|----------------|---------------|--------------|
| 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. | - | - | - | - |
| 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. | 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 | 9.86 | - | - | - |
| 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 | - | - | - | - |

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Appendix: Public Basket
Constituents

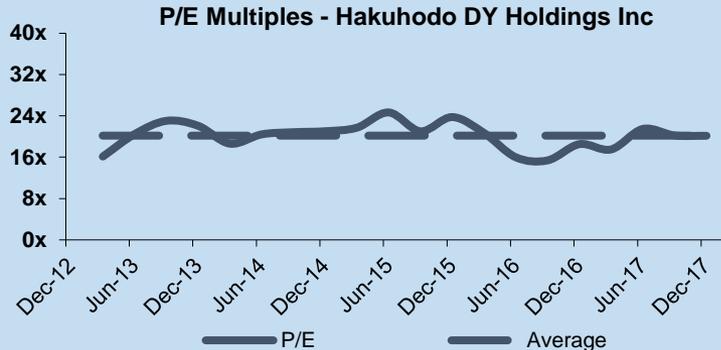
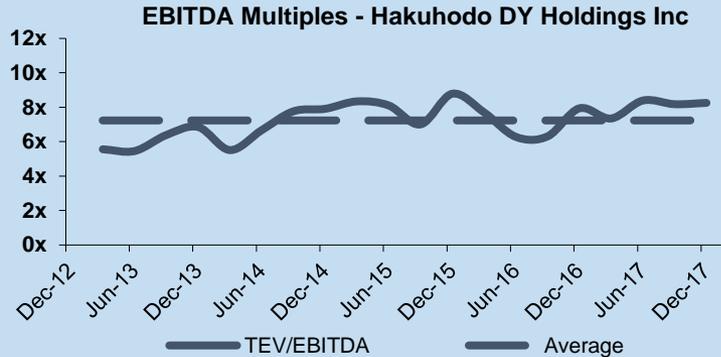
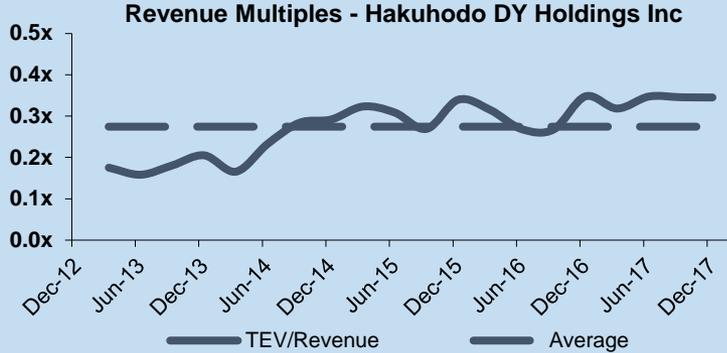
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PUBLIC BASKET CONSTITUENTS

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.

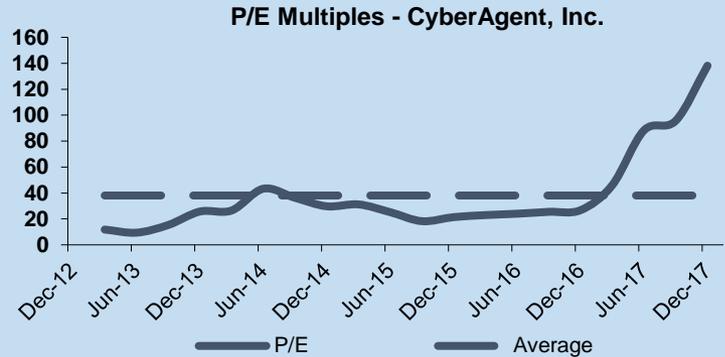
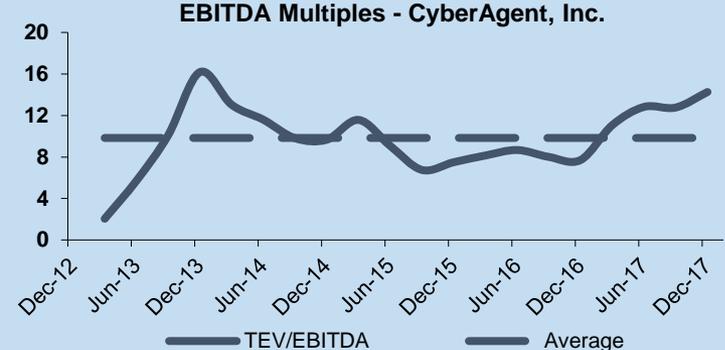
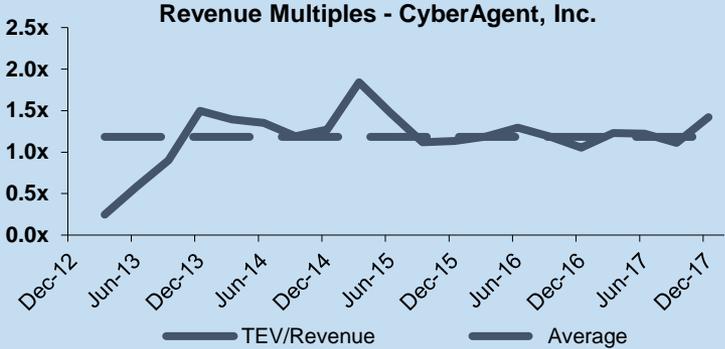


PUBLIC BASKET CONSTITUENTS

CyberAgent, Inc.

CyberAgent, Inc. engages in the media, Internet, game, and investment development businesses in Japan. The company offers a range of services, such as Internet TV station, blog, online dating, etc.; Internet advertising agency and ad technology services; and smartphone games. It also operates a programming school for kids; and provides application development, reward points exchange platform, and Web magazine services. The company was founded in 1998 and is headquartered in Tokyo, Japan.

| Date | Key Development Headline |
|---------|--|
| 9/21/17 | CyberAgent, Inc. (TSE:4751) acquired DDT Pro Wrestling Co., Ltd. |

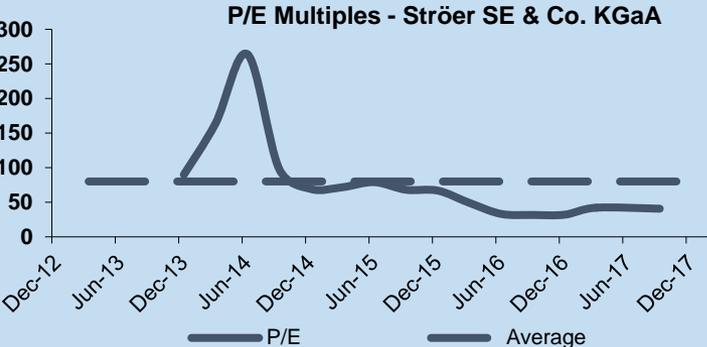
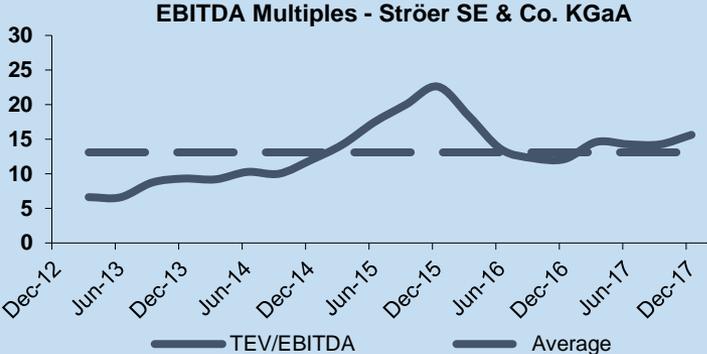
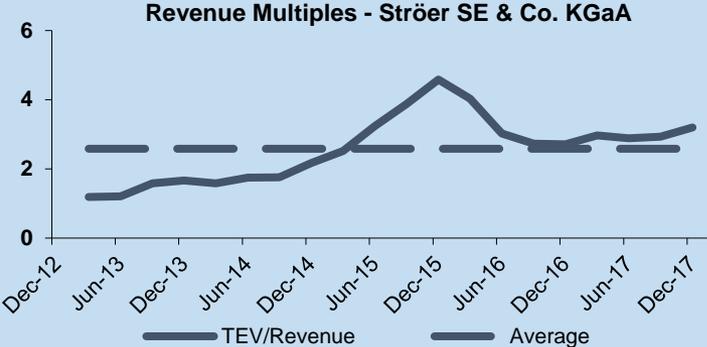


PUBLIC BASKET CONSTITUENTS

Ströer SE & Co. KGaA

Ströer SE & Co. KGaA provides out-of-home and online advertising services 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. It serves regional and national advertisers, media agencies, and media specialists. The company was formerly known as Ströer SE. Ströer SE & Co. KGaA is headquartered in Cologne, Germany.

| Date | Key Development Headline |
|----------|---|
| 11/30/17 | Ströer SE & Co. KGaA (DB:SAX) agreed to acquire Neo Advertising GmbH. |
| 11/22/17 | Zur Rose Group AG (SWX:ROSE) agreed to acquire Vitalsana B.V. from Ströer SE & Co. KGaA (DB:SAX)/ |
| 10/16/17 | Ströer SE & Co. KGaA (DB:SAX) acquired a majority stake in UAM Media Group GmbH. |
| 10/3/17 | Ströer SE & Co. KGaA (DB:SAX) acquired majority stake in Yieldlove GmbH. |
| 8/9/17 | Ströer SE & Co. KGaA (DB:SAX) acquired an additional 25% stake in Permodo GmbH for €23 million. |

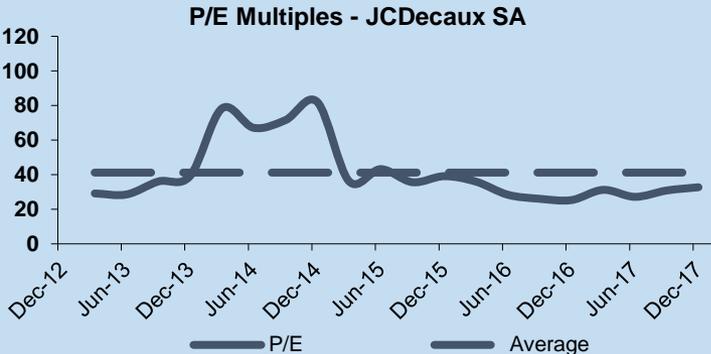
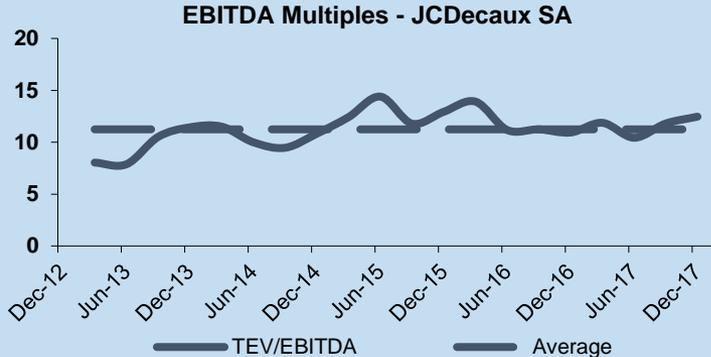
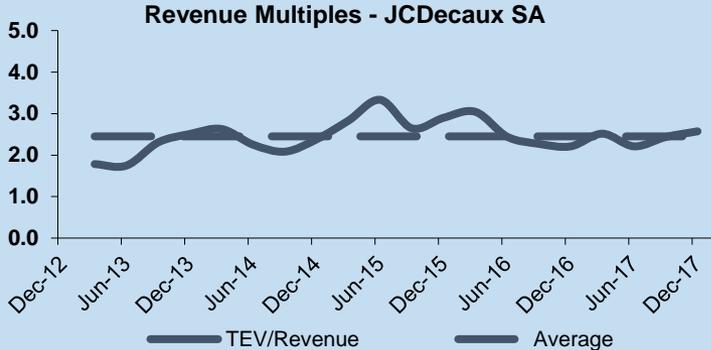


PUBLIC BASKET CONSTITUENTS

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. The company was founded in 1964 and is based in Plaisir, France. JCDecaux SA is a subsidiary of JCDecaux Holding SA.

| Date | Key Development Headline |
|----------|--|
| 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. |
| 3/2/17 | JCDecaux Mulls Investments |
| 2/13/17 | Cellnex Telecom and JCDecaux Signs Agreement to Accelerate the Rollout of New Mobile Broadband Networks |
| 12/22/16 | JCDecaux SA (ENXTPA:DEC) signed an agreement to acquire Top Media Holdings S.A. |

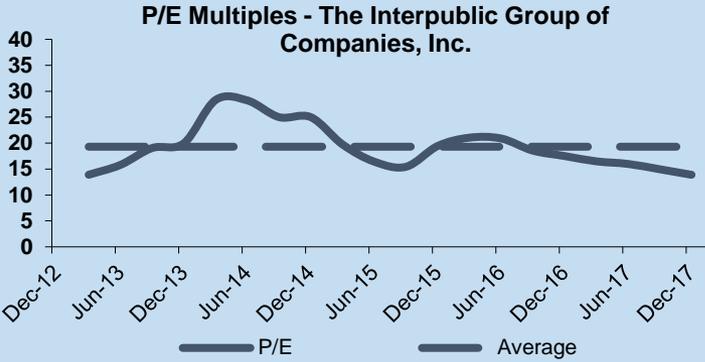
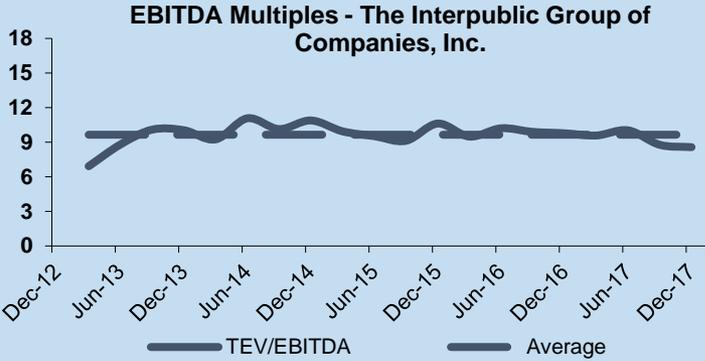
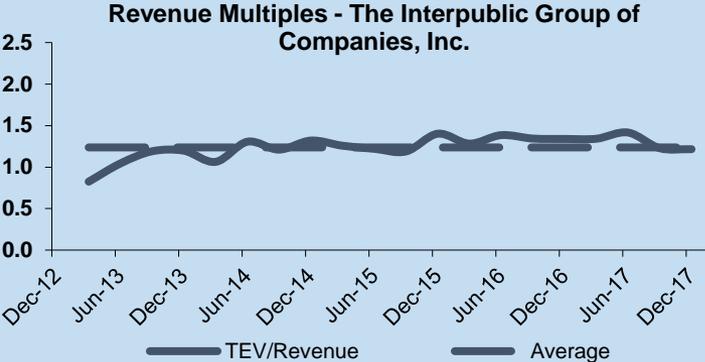


PUBLIC BASKET CONSTITUENTS

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). |
| 2/10/17 | The Interpublic Group of Companies Seeks Acquisitions |

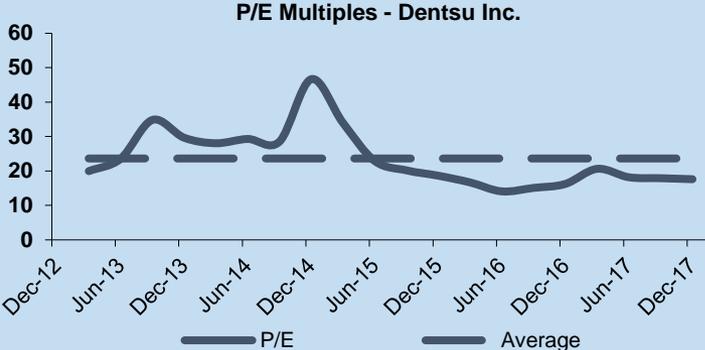
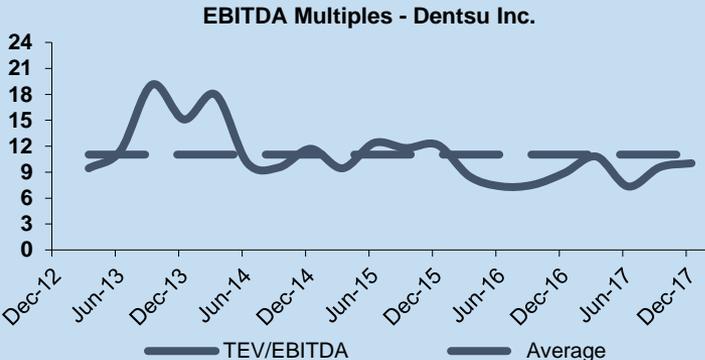
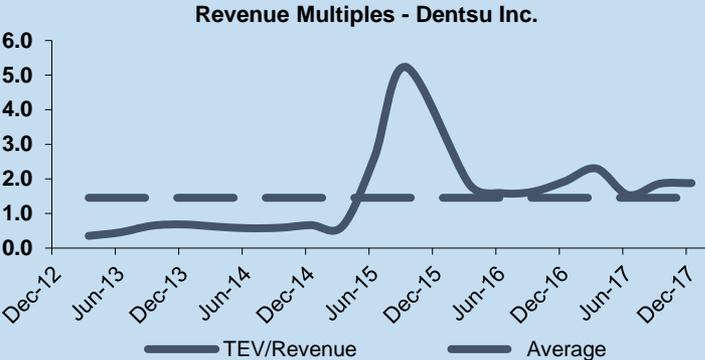


PUBLIC BASKET CONSTITUENTS

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, marketing, public relations, contents, related creative, and other services to its clients. It also provides information services and information-related products; and other services, such as office rental, building maintenance, and computation fiduciary services. The company offers services through its network brands comprising Carat, Dentsu Brand Agencies, dentsu X, iProspect, Isobar, Dentsu McGarry Bowen, MKTG, Posterscope, and Vizeum, as well as specialist/multimarket brands, such as Amnet, Amplifi, Data2Decisions, Mitchell Communications Group, and 360i. Dentsu Inc. was founded in 1901 and is headquartered in Tokyo, Japan.

| Date | Key Development Headline |
|---------|--|
| 12/5/17 | Dentsu Inc. (TSE:4324) entered into an agreement to acquire Swirl, Inc. |
| 7/26/17 | Rakuten and Dentsu Establish Rakuten Data Marketing Co.,Ltd, a New Company |
| 6/8/17 | Dentsu Inc. (TSE:4324) acquired unknown minority stake in Tranzax Co., Ltd. |
| 5/23/17 | 6 Japanese Media Firms to Start Joint Online Video Service |
| 3/24/17 | Dentsu Inc. and Evolvable Asia Co., Ltd. to Invest in Vietnam to Establish New Company Dentsu Techno Camp Co., Ltd |

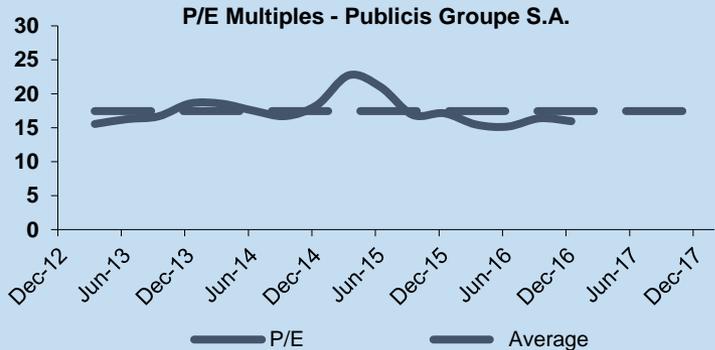
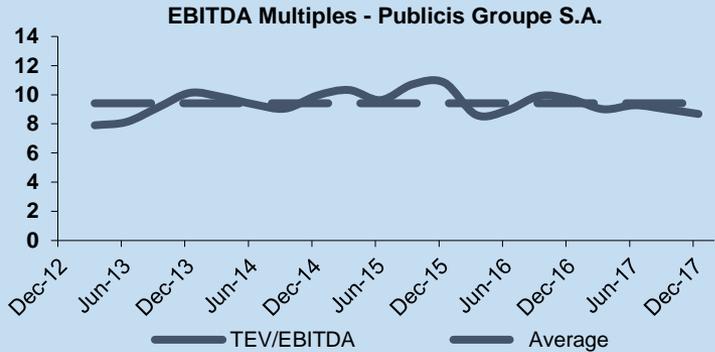
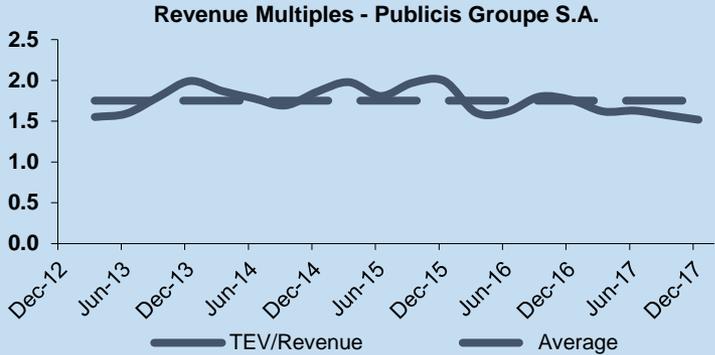


PUBLIC BASKET CONSTITUENTS

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 |
|---------|--|
| 10/2/17 | Publicis Groupe S.A. (ENXTPA:PUB) agreed to acquire Ella Factory. |
| 7/20/17 | Publicis Groupe Seeks Acquisitions |
| 2/9/17 | Publicis Eyes Acquisitions |
| 1/30/17 | Publicis Groupe S.A. (ENXTPA:PUB) acquired a certain stake in MetaDesign AG. |

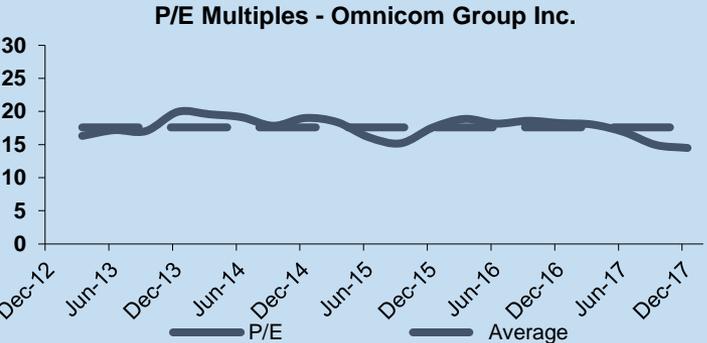
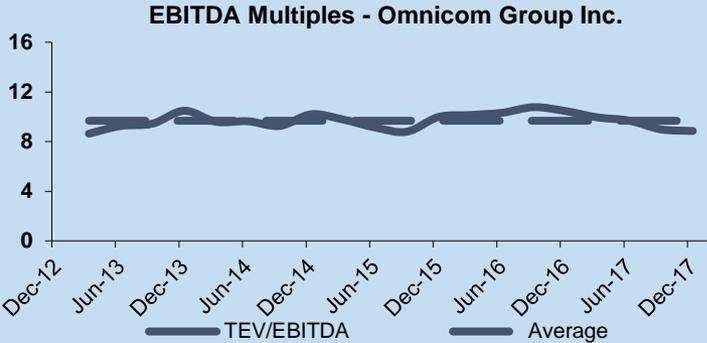
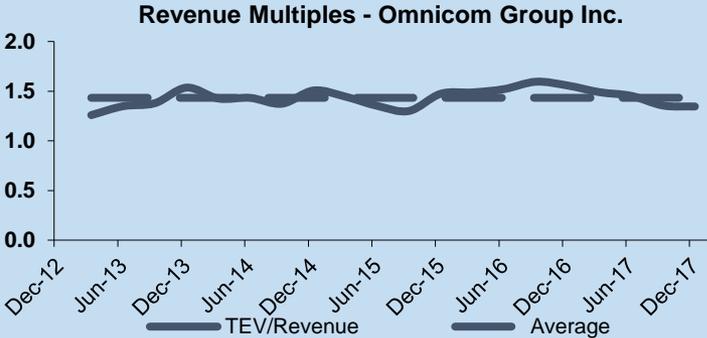


PUBLIC BASKET CONSTITUENTS

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, or CRM, public relations, and specialty communications. Its services comprise advertising, brand consultancy, content marketing, corporate social responsibility consulting, crisis communication, custom publishing, data analytics, database management, environmental design, financial/corporate business-to-business advertising, graphic arts/digital imaging, healthcare communications, and instore design services. The company's services also include direct, entertainment, experiential, and field, interactive, mobile, multi-cultural, non-profit, 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 reputation consulting services. It operates in North America, Latin America, Europe, the Middle East, Africa, Australia, China, India, Japan, Korea, New Zealand, Singapore, and other Asian countries. Omnicom Group Inc. was founded in 1944 and is based in New York, New York.

| Date | Key Development Headline |
|----------|----------------------------------|
| 10/17/17 | Omnicom Seeks Acquisitions |
| 7/20/17 | Omnicom Looking For Acquisitions |
| 2/7/17 | Omnicom Mulls Acquisitions |

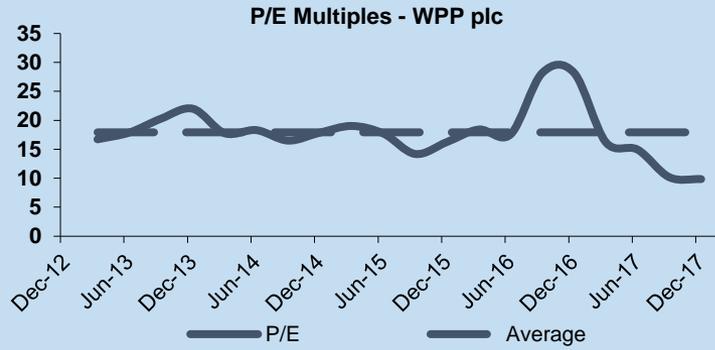
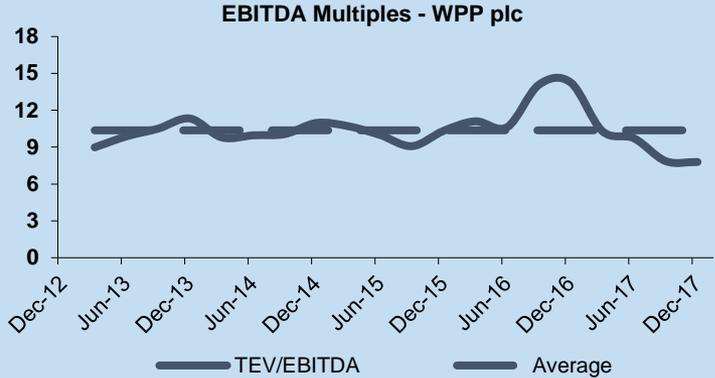
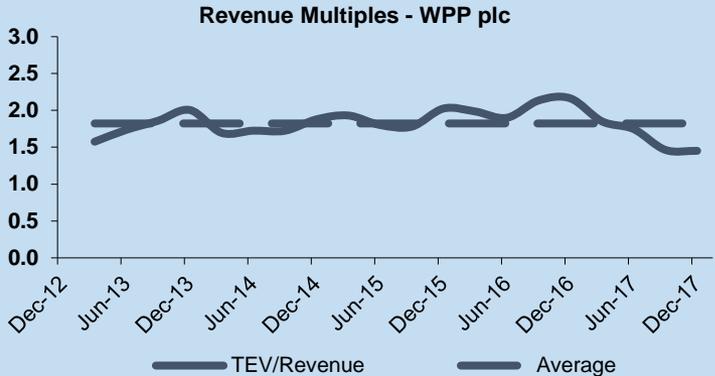


PUBLIC BASKET CONSTITUENTS

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. WPP plc was founded in 1985 and is based in London, the United Kingdom.

| Date | Key Development Headline |
|---------|---|
| 8/22/17 | WPP plc (LSE:WPP) acquired Design Bridge Ltd. |
| 7/19/17 | WPP plc (LSE:WPP) acquired majority stake in Extreme Sensio. |
| 7/12/17 | WPP plc (LSE:WPP) agreed to acquire Thjnk AG. |
| 4/11/17 | M&G Real Estate acquired Rose Court, 2 Southwark Bridge Road, London from WPP plc (LSE:WPP) for £190 million, in a sale and leaseback transaction. |
| 3/3/17 | WPP plc Seeks Strategic Acquisitions |
| 2/27/17 | WPP plc (LSE:WPP) completed the acquisition of Rose Court, 2 Southwark Bridge Road, London from Grandiose Investments Pte. Ltd. |
| 2/7/17 | A Guernsey based property unit trust entered into an agreement to acquire Rose Court, 2 Southwark Bridge Road, London from Grandiose Investments Pte. Ltd. for £94.5 million. |



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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