



# Sectorwatch: Digital Agency

June 2018

# Digital Agency

June 2018

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# Overview

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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.



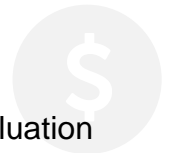
## Public Basket Performance

- 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

↓ -0.03

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

↓ -0.9%

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

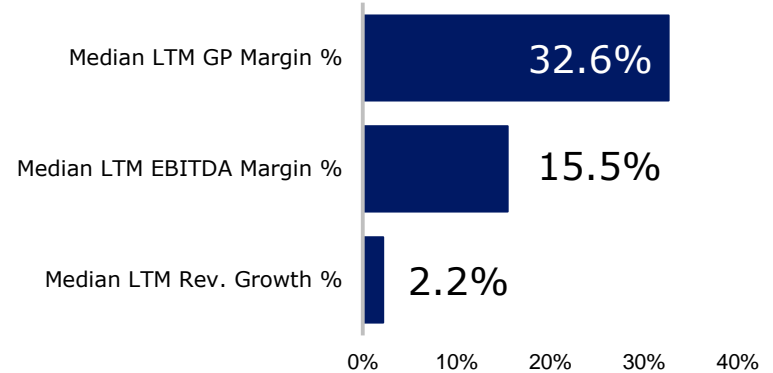
## Profitability Momentum

↓ -0.9%

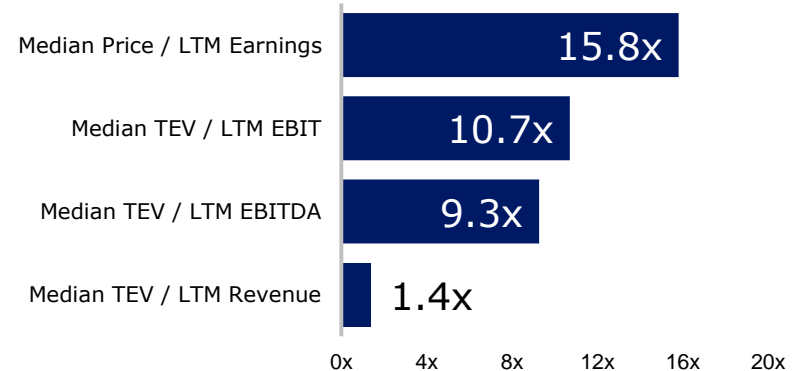
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

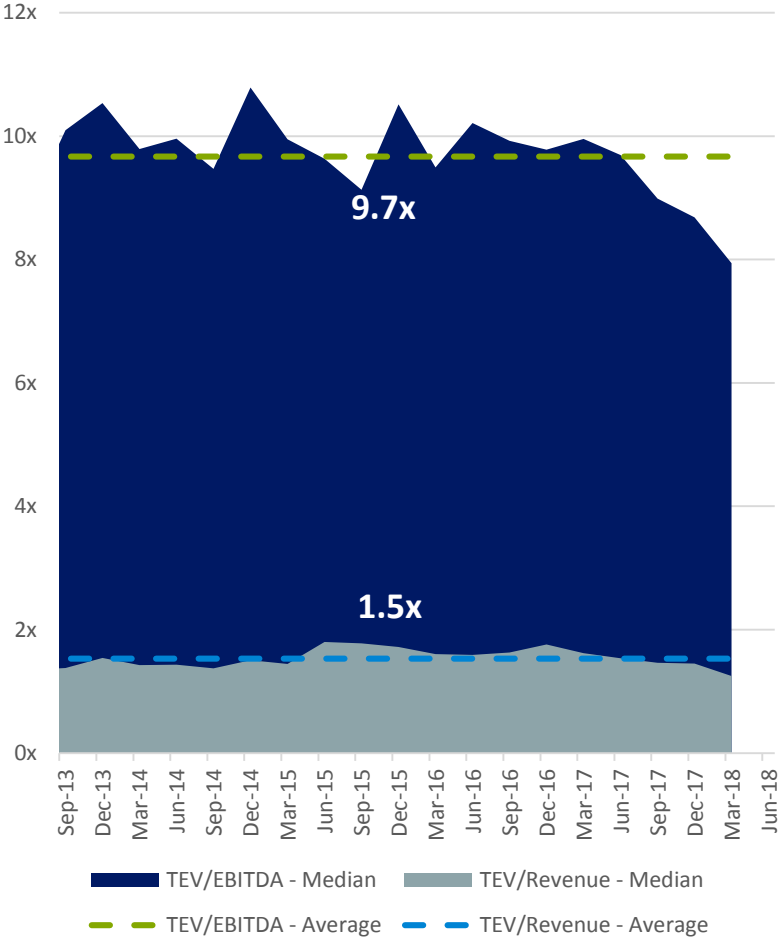


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Hakuhodo DY Holdings Inc	4,914	12,570	6%	20%	5%	0.4	8.9	-	NA
JCDecaux SA	7,228	3,650	2%	33%	17%	2.1	10.1	11,772	310
The Interpublic Group of Companies, Inc.	10,777	7,988	-2%	35%	14%	1.3	9.5	50,200	159
Dentsu Inc.	15,751	8,861	8%	94%	18%	1.8	9.8	60,064	148
Publicis Groupe S.A.	16,457	11,635	0%	39%	18%	1.5	8.1	71,546	163
Omnicom Group Inc.	20,215	15,316	-1%	18%	15%	1.3	8.6	77,300	198
WPP plc	26,619	20,633	6%	21%	15%	1.3	8.2	134,413	154

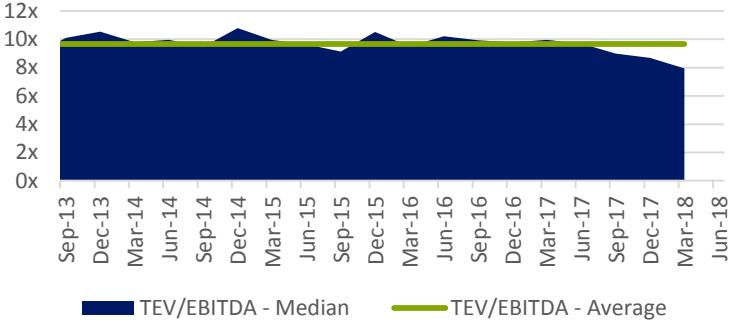
<b>Average</b>	14,566	11,522	3%	37%	15%	1.4	9.0	57,899	188
<b>Median</b>	15,751	11,635	2%	33%	15%	1.3	8.9	60,064	161

share price as of 20Jun18

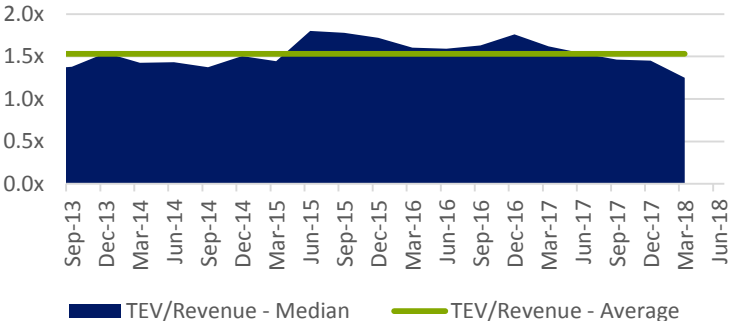
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



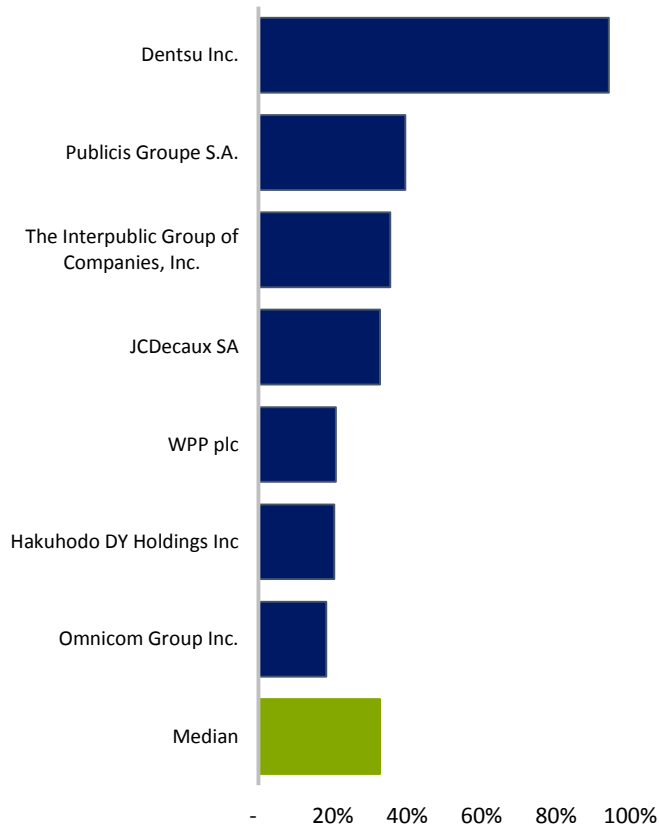
## Public Revenue Multiples over Time



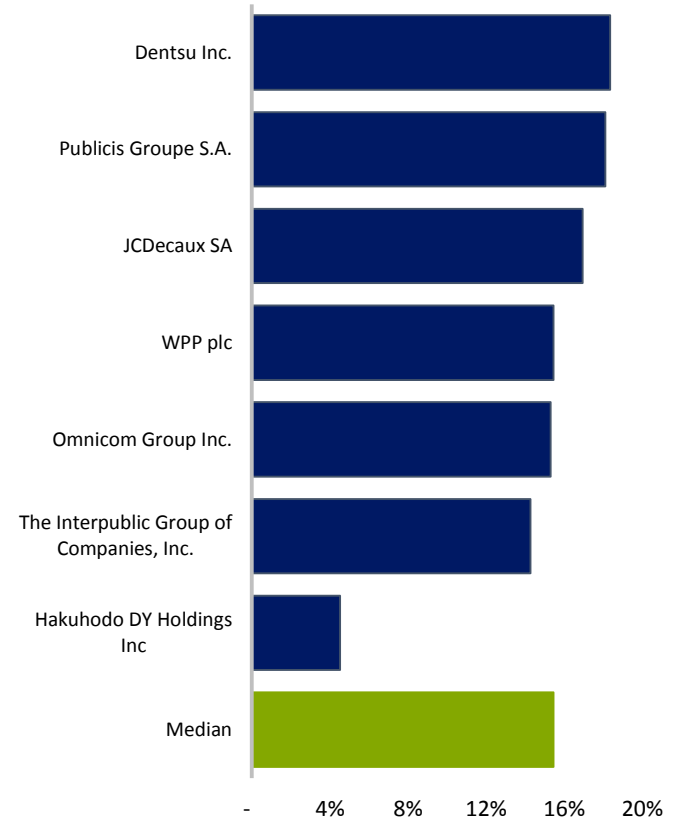
# Operational Metrics



### LTM Gross Profit Margin %



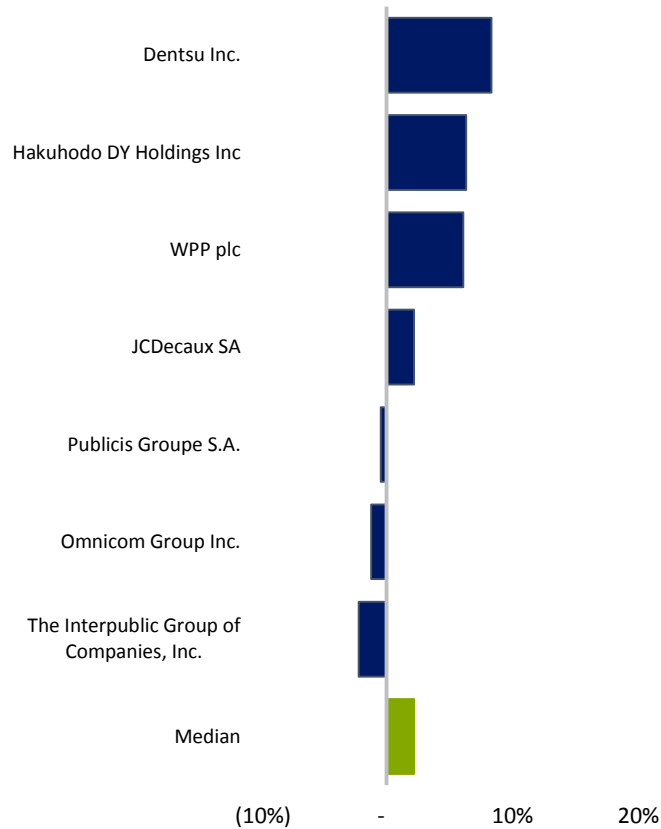
### LTM EBITDA %



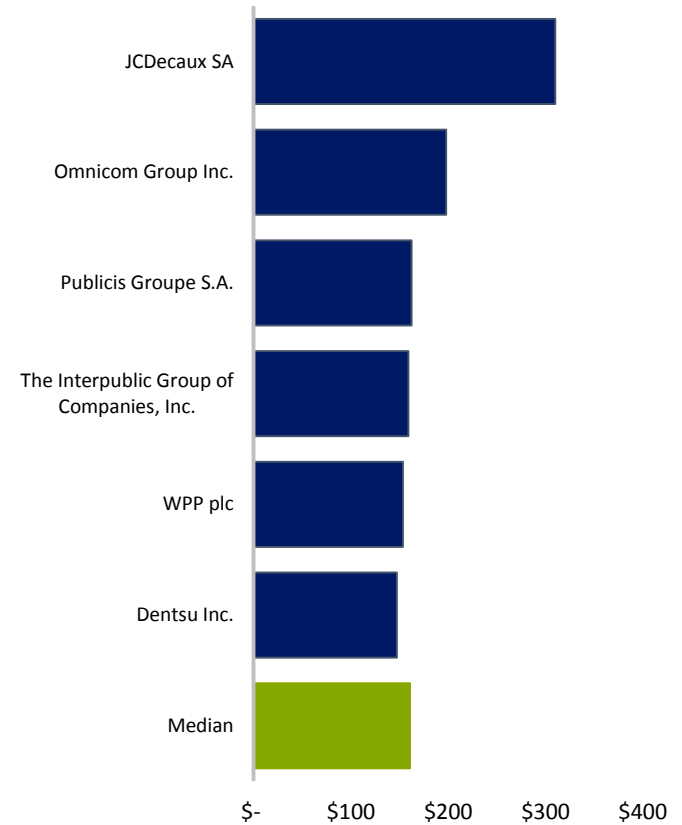
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

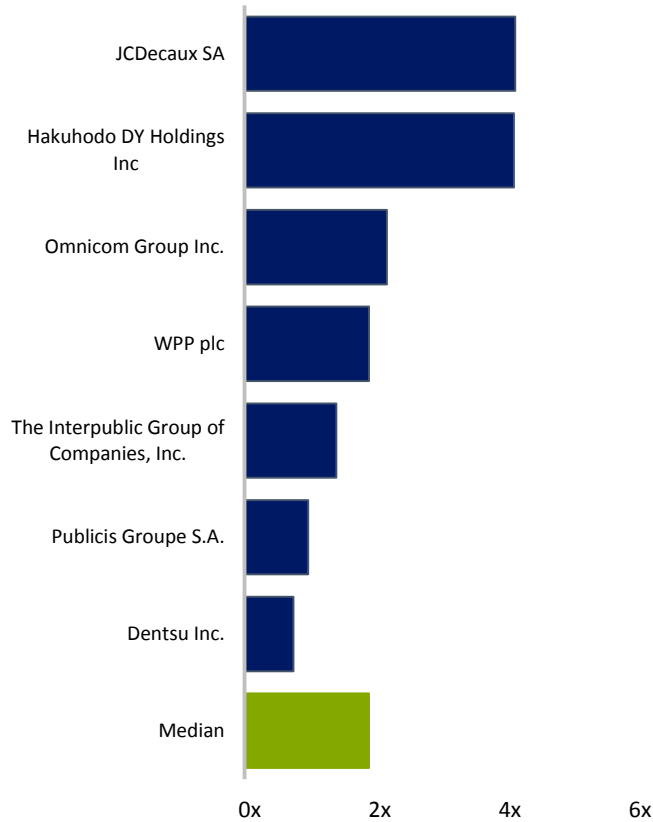




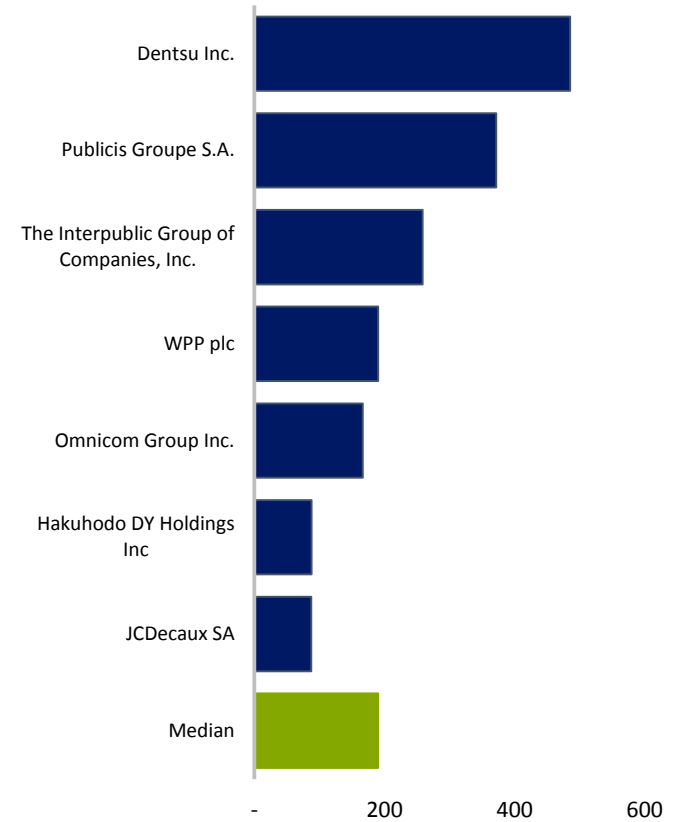
# Operational Metrics



## Accounts Receivable Turnover



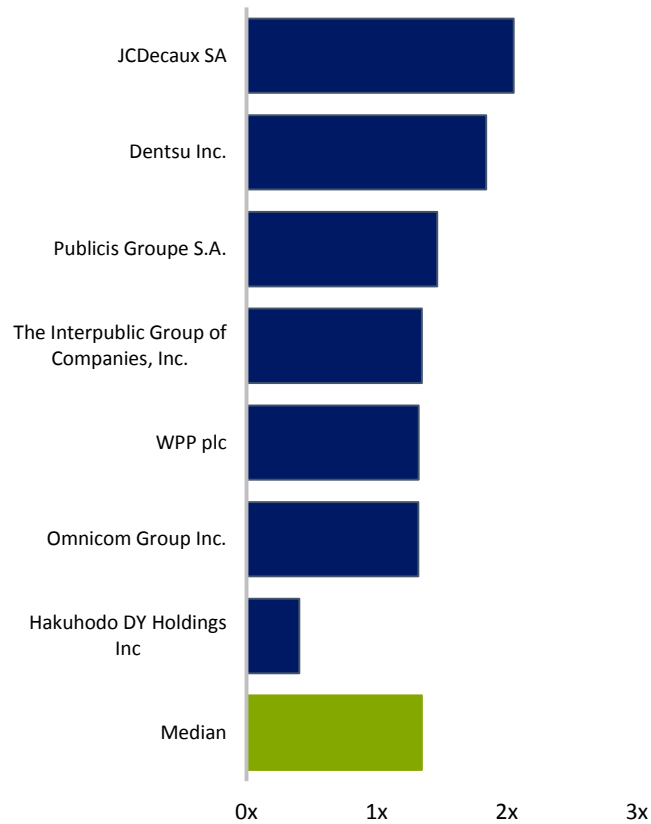
## Average Days Sales Outstanding



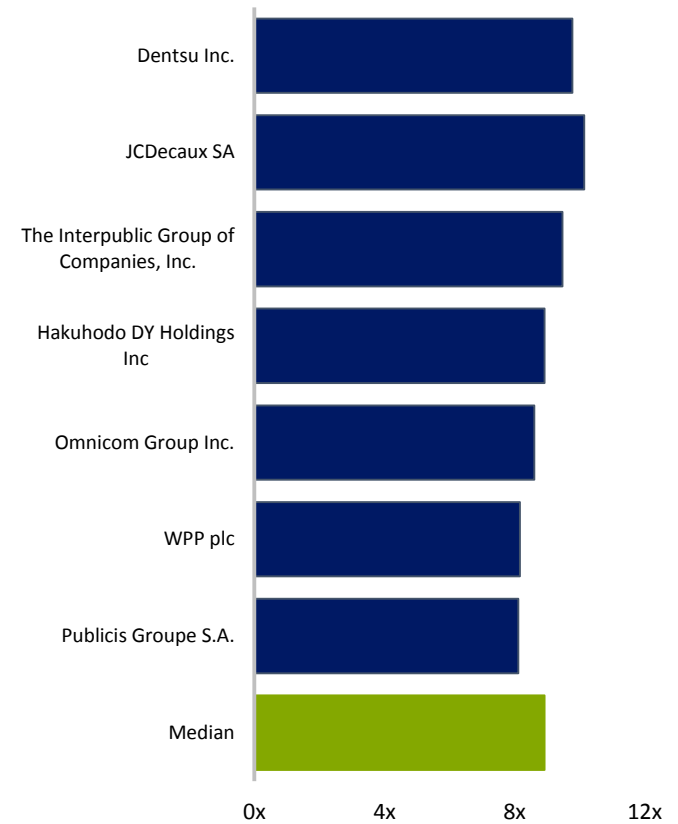
# Valuation



TEV / LTM Revenue



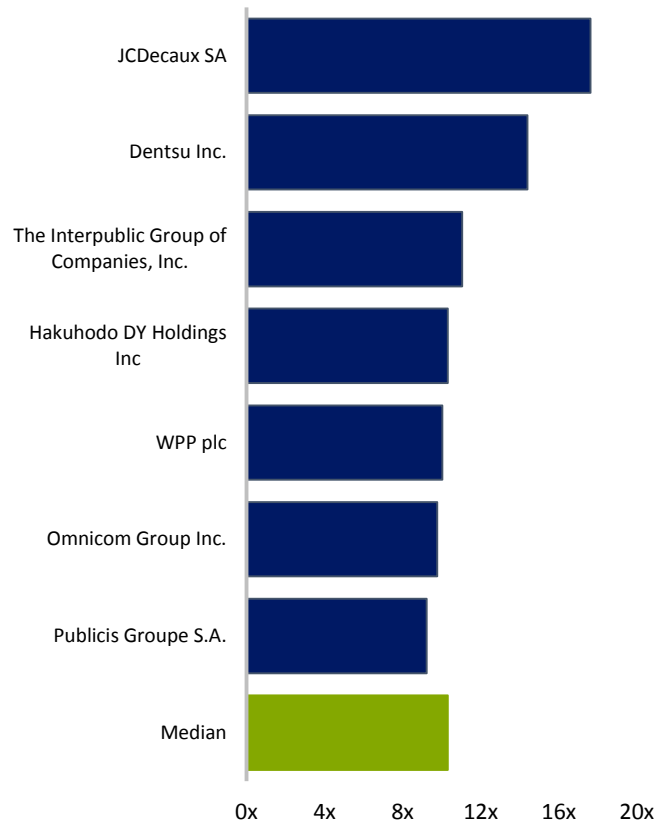
TEV / LTM EBITDA



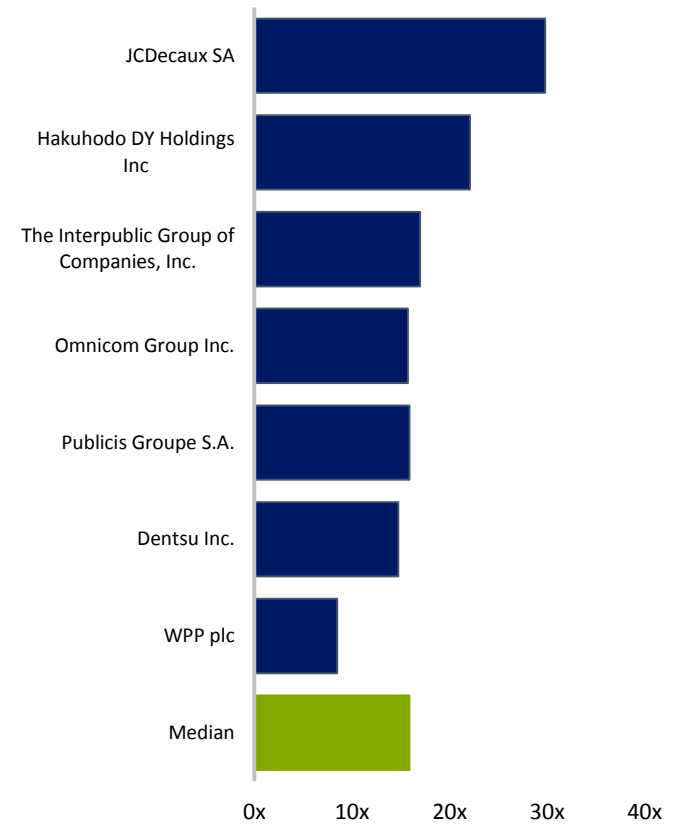
# Valuation



TEV / LTM EBIT



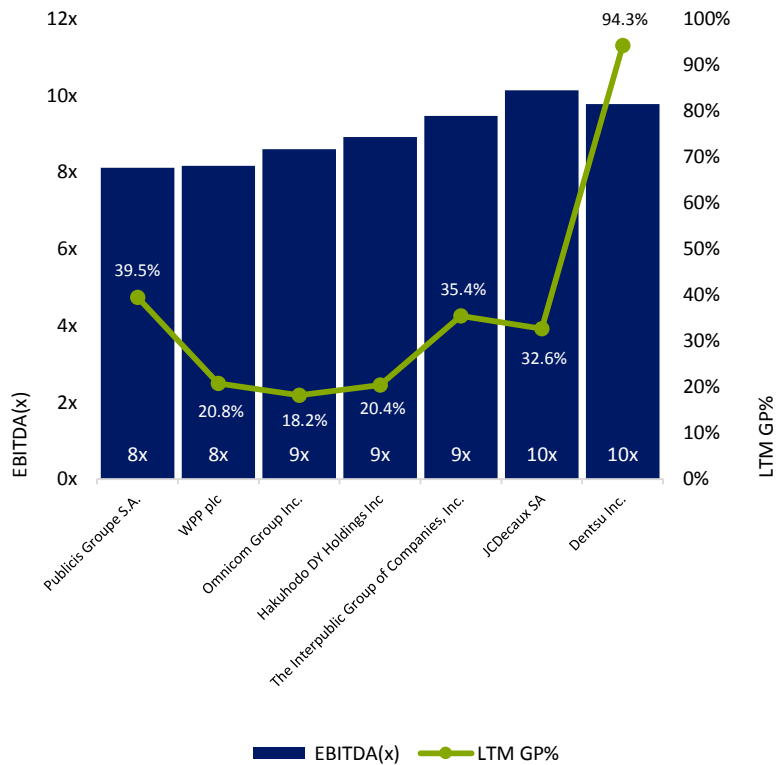
Price / LTM Earnings



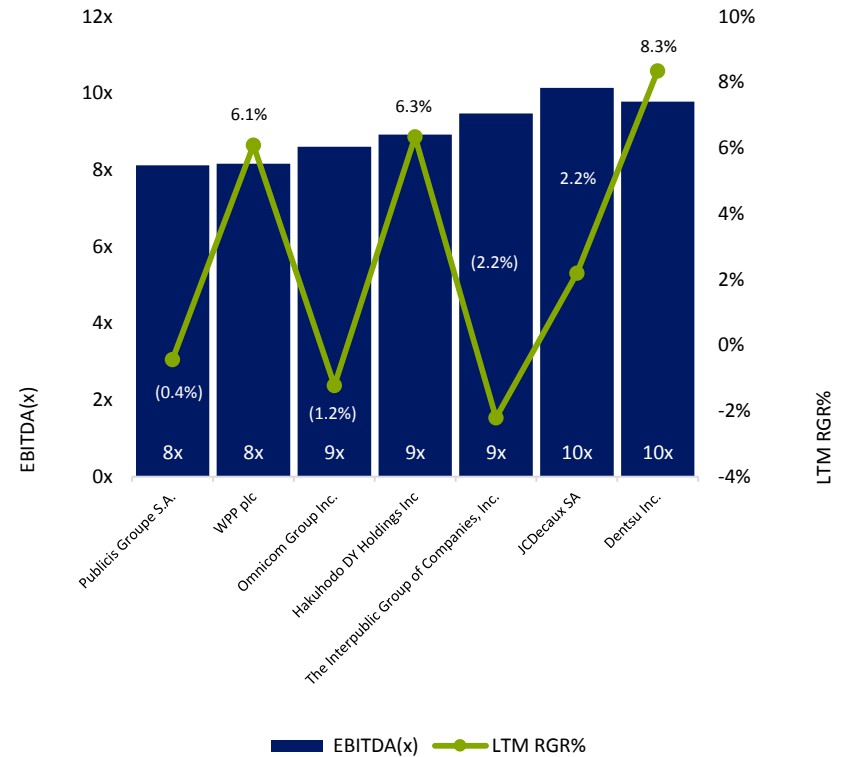
# Valuation



## 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
18Jun18	Smashing Ideas, Inc.	Luxoft Holding, Inc.	-	-	-	-
14Jun18	Union, LLC	Myjive, Inc	-	-	-	-
1Jun18	GS Design, Inc.	Core Creative, Inc.	-	-	-	-
30May18	Fire Without Smoke Ltd	Keywords Studios PLC	6.87	-	-	-
23May18	HO Communication	Accenture plc	-	-	-	-
25Apr18	Virtual Affairs Nederland B.V.	We Are You B.V.	-	-	-	-
31Dec17	Traffic Digital Agency, Inc.	Chamberlain Marketing Group, Inc.	10.00	2.50	-	-
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	Oxyma 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 Corporation	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	-	-	-	-

# Digital Agency

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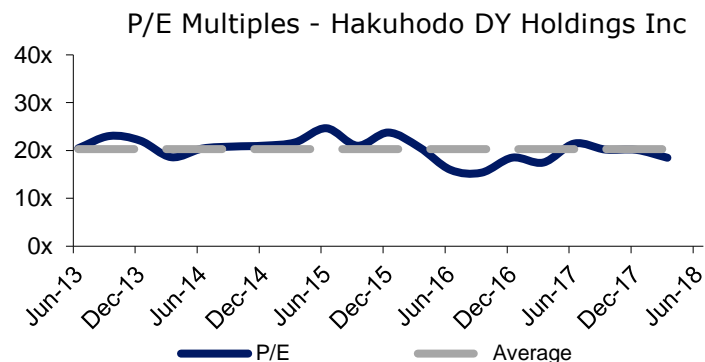
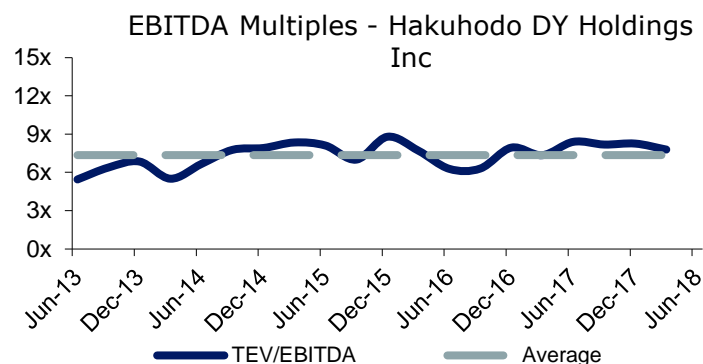
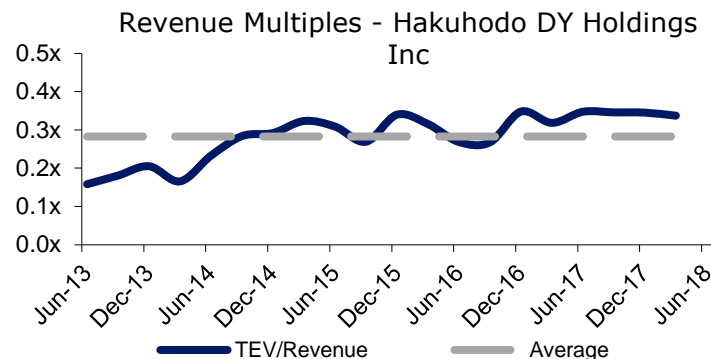
## APPENDIX: Public Basket Constituents

# 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
4/4/18	Hakuhodo DY Holdings Inc (TSE:2433) acquired IdeasXMachina Advertising, Inc.

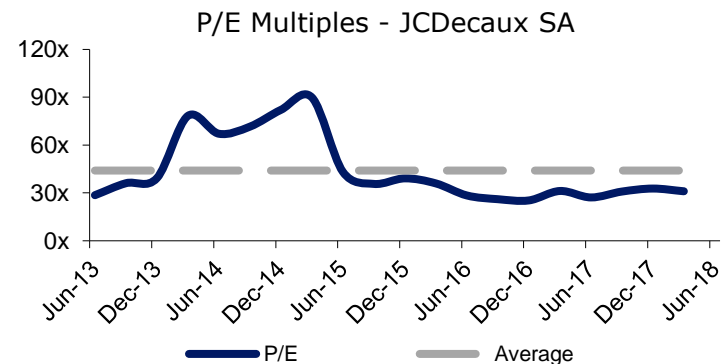
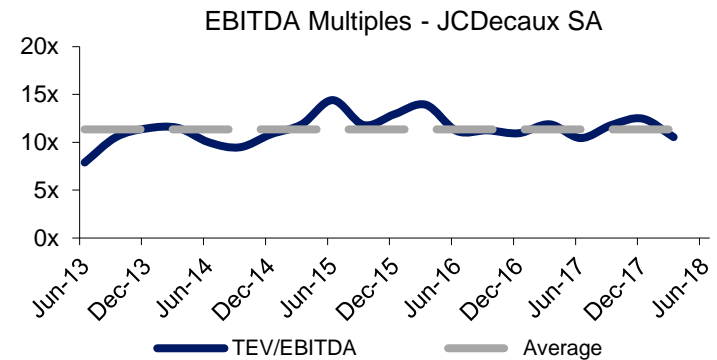
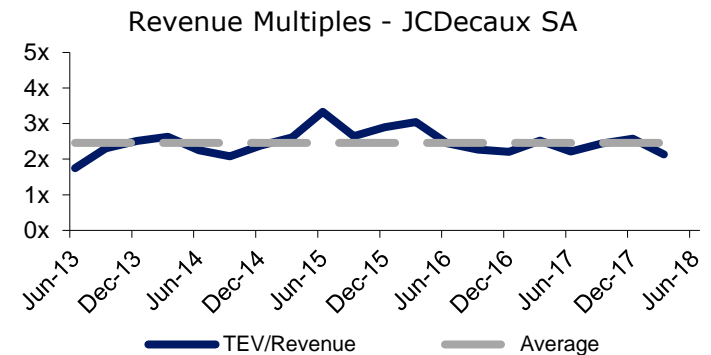
# Public Basket



## 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.



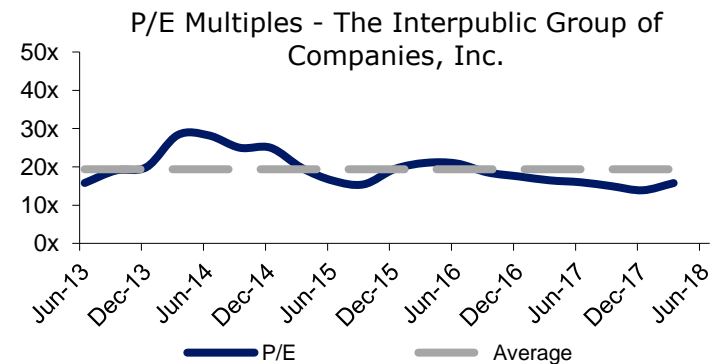
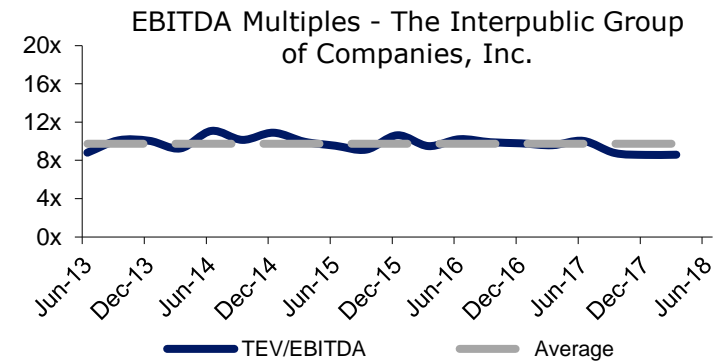
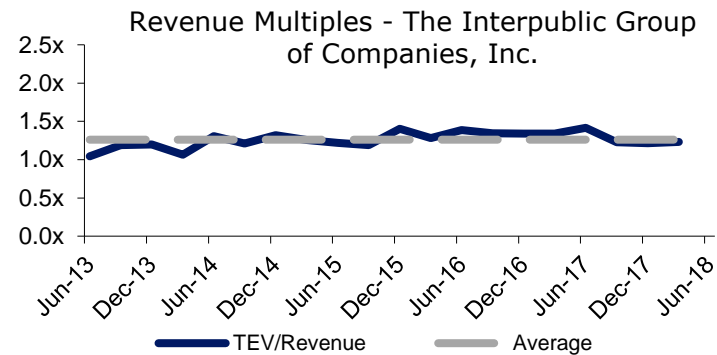


# Public Basket



## 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.

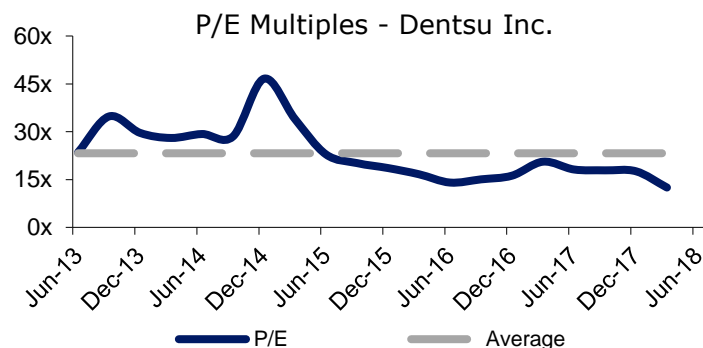
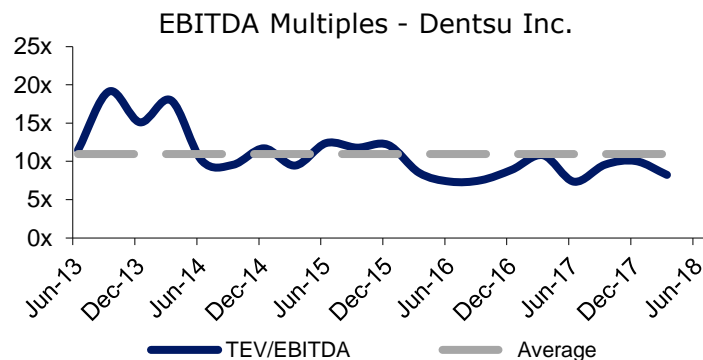
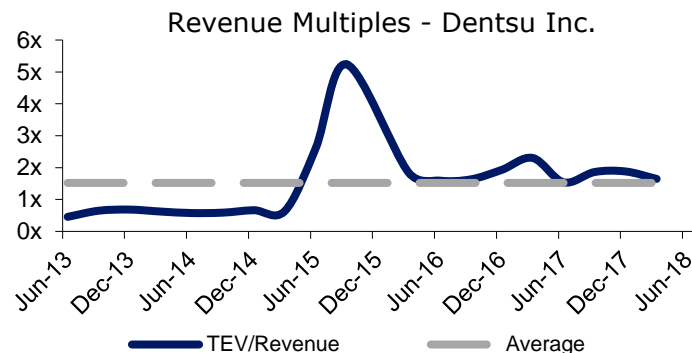


# Public Basket



## 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

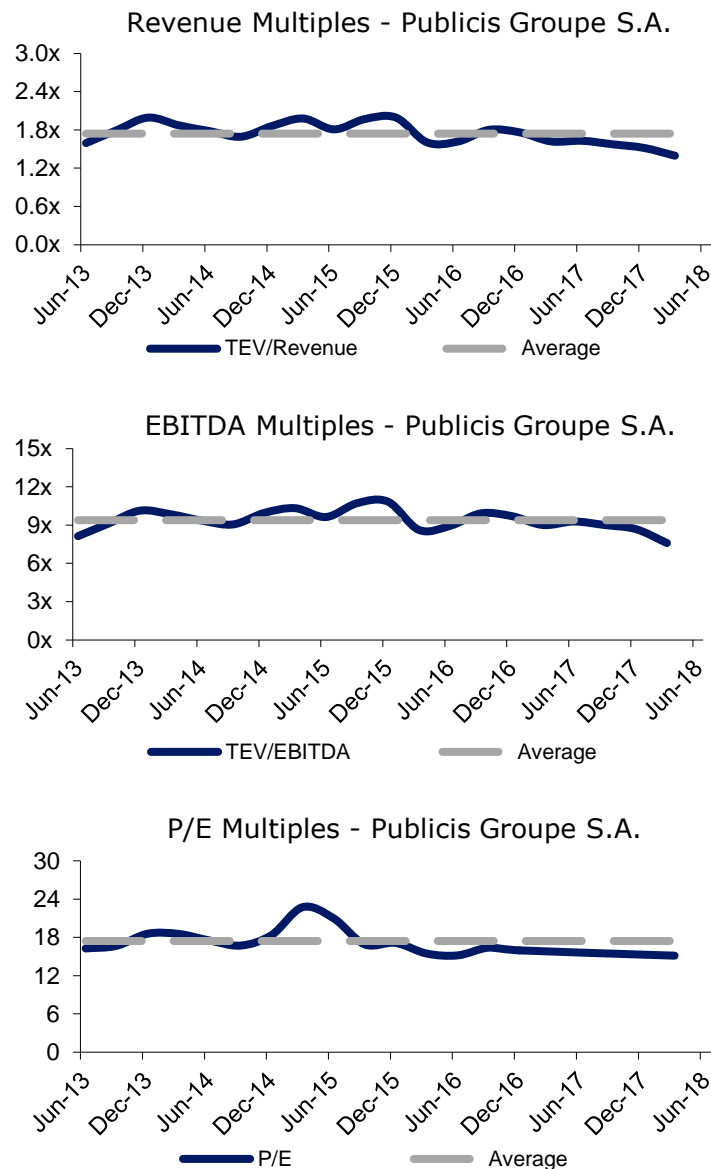
- 5/2/18 Dentsu Inc. (TSE:4324) completed the acquisition of 49% stake respectively of Dentsu Young & Rubicam Inc. and Wunderman Dentsu Inc. from WPP plc (LSE:WPP).
- 4/30/18 Dentsu Inc. (TSE:4324) agreed to acquire 49% stake respectively of Dentsu Young & Rubicam Inc. and Wunderman Dentsu Inc. from WPP plc (LSE:WPP).
- 4/30/18 WPP plc (LSE:WPP) entered into an agreement to acquire 51% stake in Dentsu Sudler & Hennessey Inc. from Dentsu Inc. (TSE:4324).
- 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.

# 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.



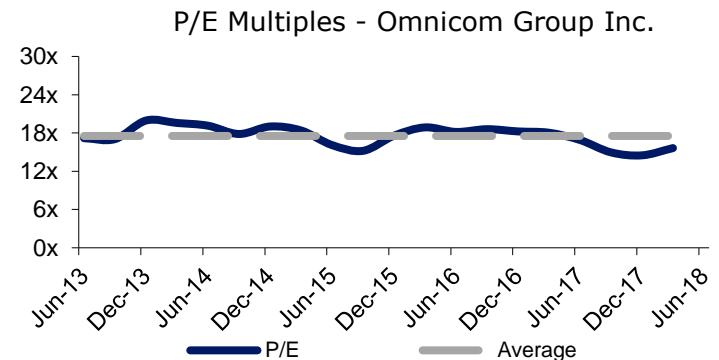
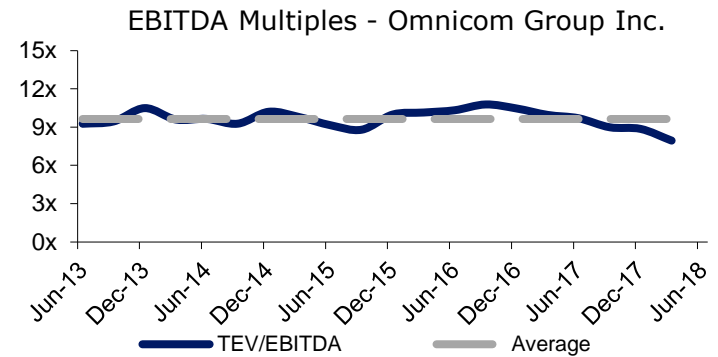
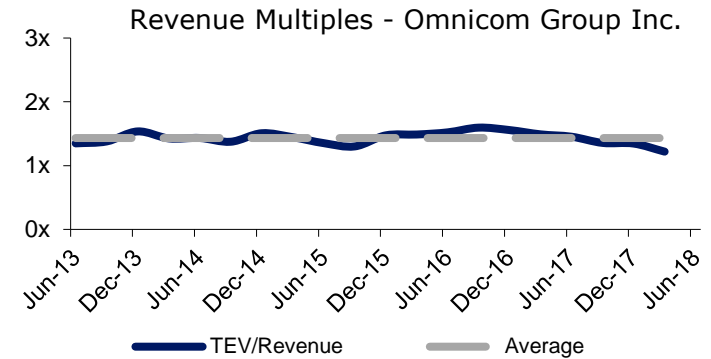
Date	Key Development Headline
4/9/18	Publicis Groupe S.A. (ENXTPA:PUB) acquired Ecosys OOH.
3/20/18	Publicis Groupe Seeks Acquisitions
2/7/18	An undisclosed buyer agreed to acquire Genedigi Group from Publicis Groupe S.A. (ENXTPA:PUB).
7/20/17	Publicis Groupe Seeks Acquisitions

# 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.



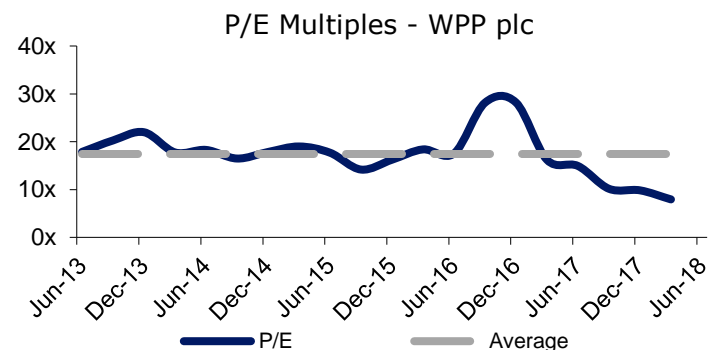
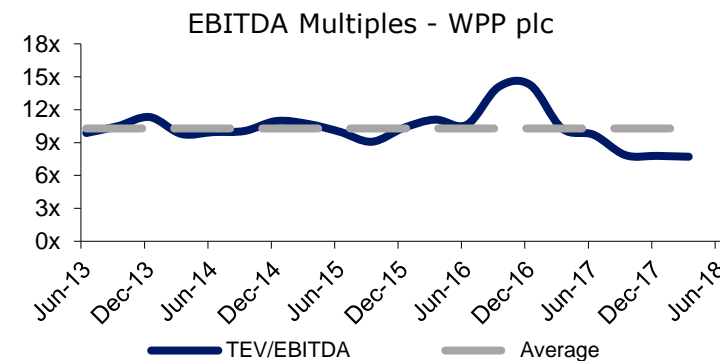
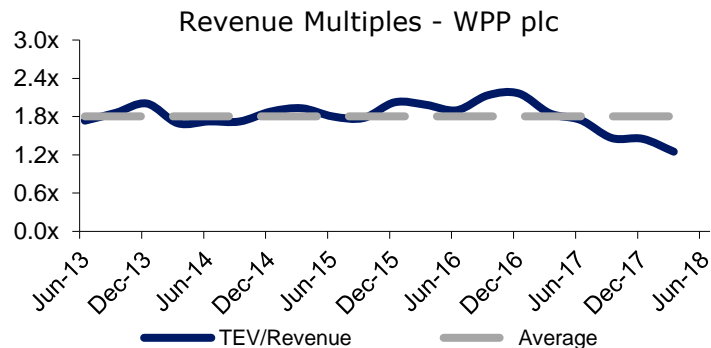
Date	Key Development Headline
2/15/18	Omnicom Seeks Acquisitions
10/17/17	Omnicom Seeks Acquisitions
7/20/17	Omnicom Looking For Acquisitions

# 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
5/2/18	Dentsu Inc. (TSE:4324) completed the acquisition of 49% stake respectively of Dentsu Young & Rubicam Inc. and Wunderman Dentsu Inc. from WPP plc (LSE:WPP).
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4/30/18	Dentsu Inc. (TSE:4324) agreed to acquire 49% stake respectively of Dentsu Young & Rubicam Inc. and Wunderman Dentsu Inc. from WPP plc (LSE:WPP).
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.

# 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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