



Sectorwatch: Digital Agency

November 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.



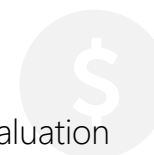
Public Basket Performance

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



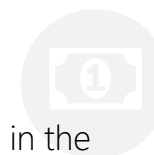
Valuation Comparison

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



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth

↓ -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

↓ -0.002%

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

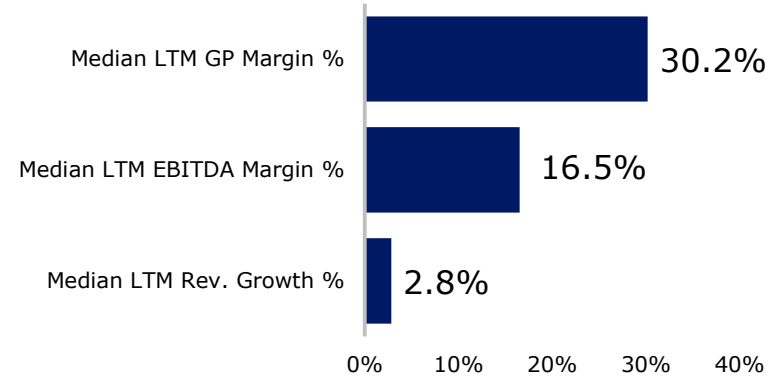
Profitability

↓ -0.7%

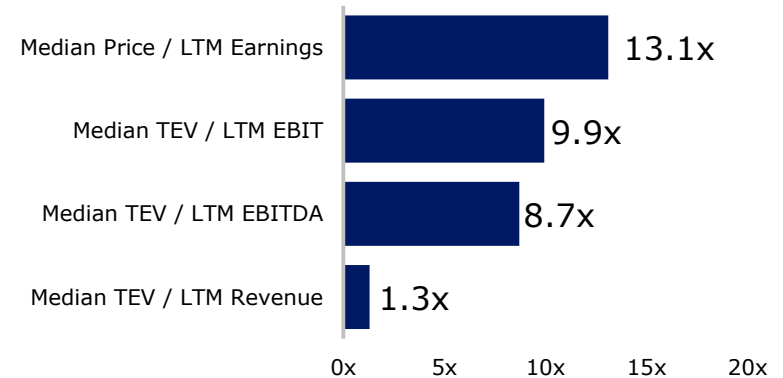
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

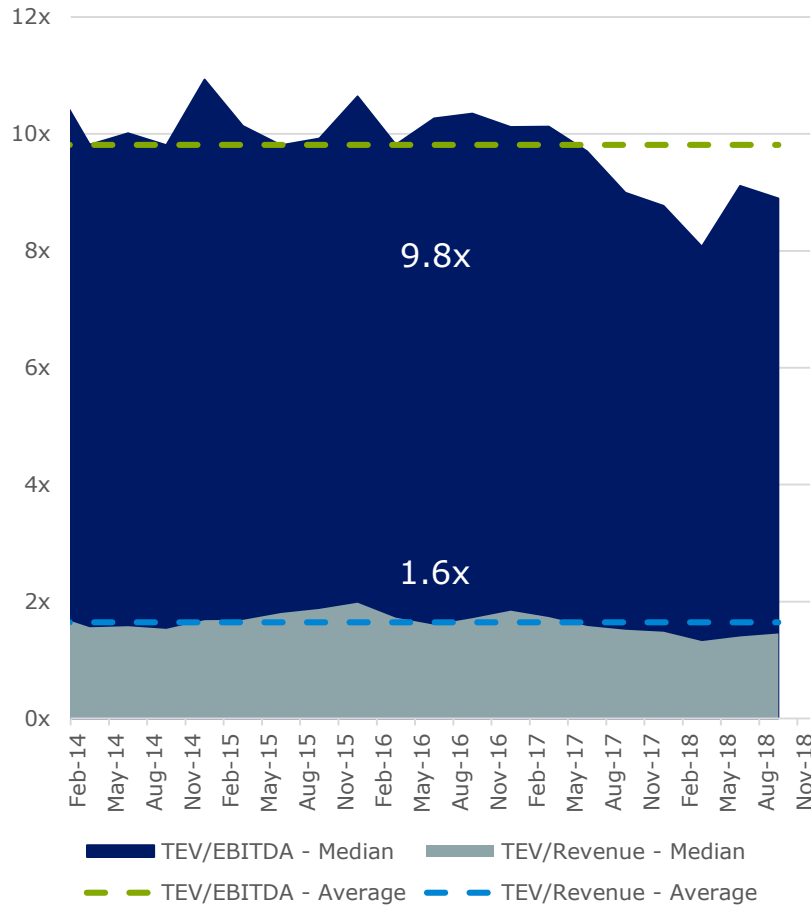


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
The Interpublic Group of Companies, Inc.	10,401	8,158	7%	35%	15%	1.3	8.7	50,200	163
Dentsu Inc.	10,579	8,784	10%	93%	18%	1.2	6.6	60,064	146
Publicis Groupe S.A.	17,224	10,844	-8%	40%	18%	1.6	8.9	71,546	152
Omnicom Group Inc.	20,420	15,380	0%	18%	15%	1.3	8.7	77,300	199
WPP plc	20,523	19,935	-3%	20%	15%	1.1	6.8	134,413	148
Alliance Data Systems Corporation	31,637	7,842	5%	25%	23%	4.0	17.7	20,000	392

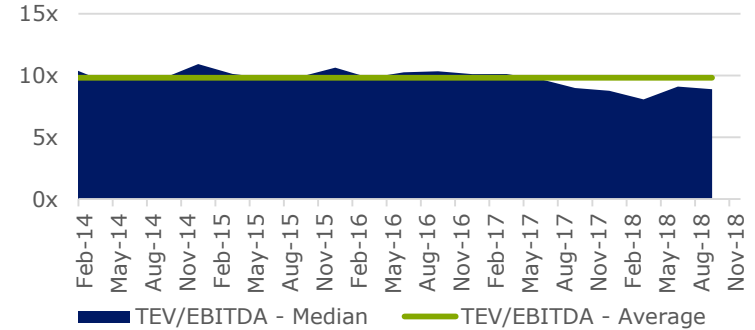
Average	18,464	11,824	2%	39%	17%	1.8	9.6	68,921	200
Median	18,822	9,814	3%	30%	17%	1.3	8.7	65,805	157

share price as of 26Nov18

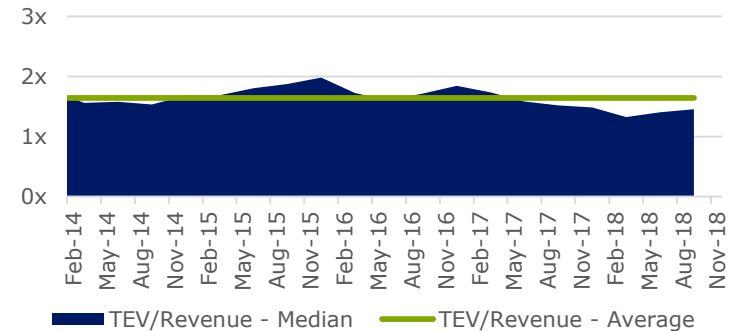
Public Basket Valuation Trends



Public EBITDA Multiples over Time



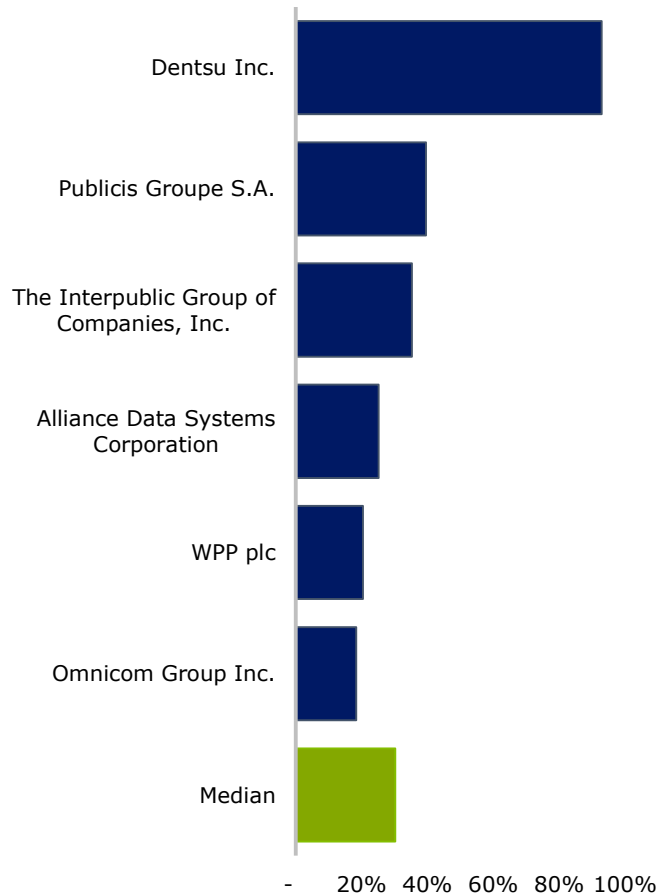
Public Revenue Multiples over Time



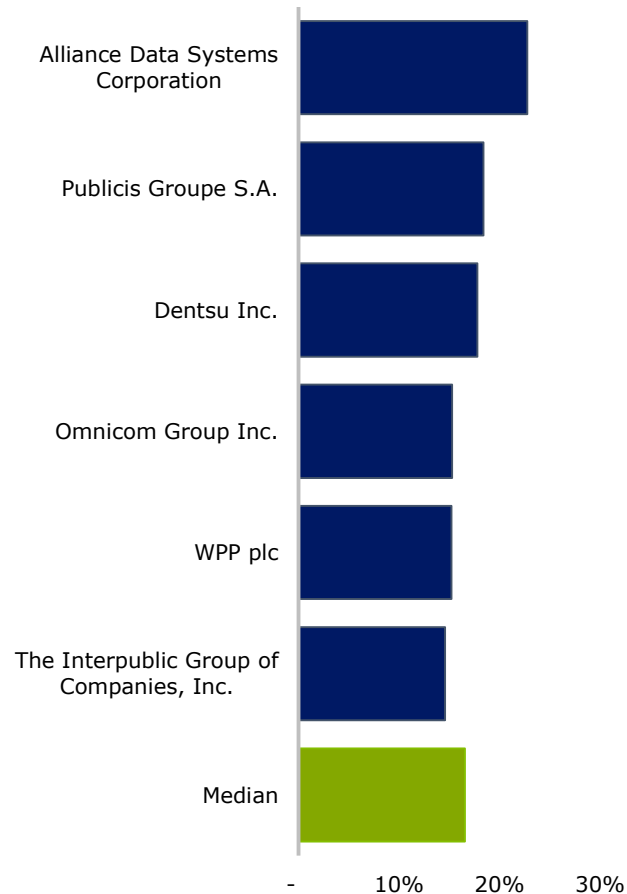
Operational Metrics



LTM Gross Profit Margin %



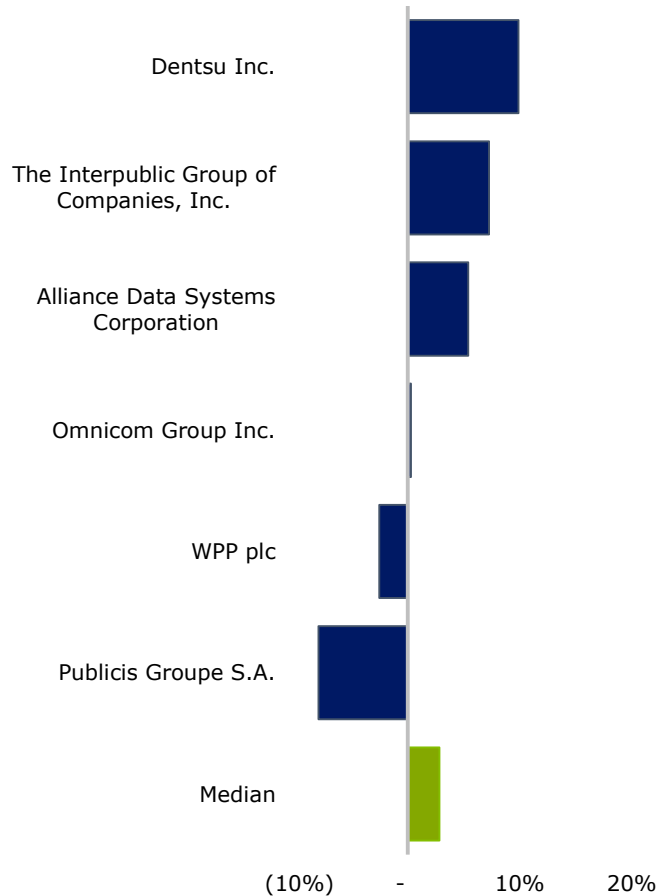
LTM EBITDA %



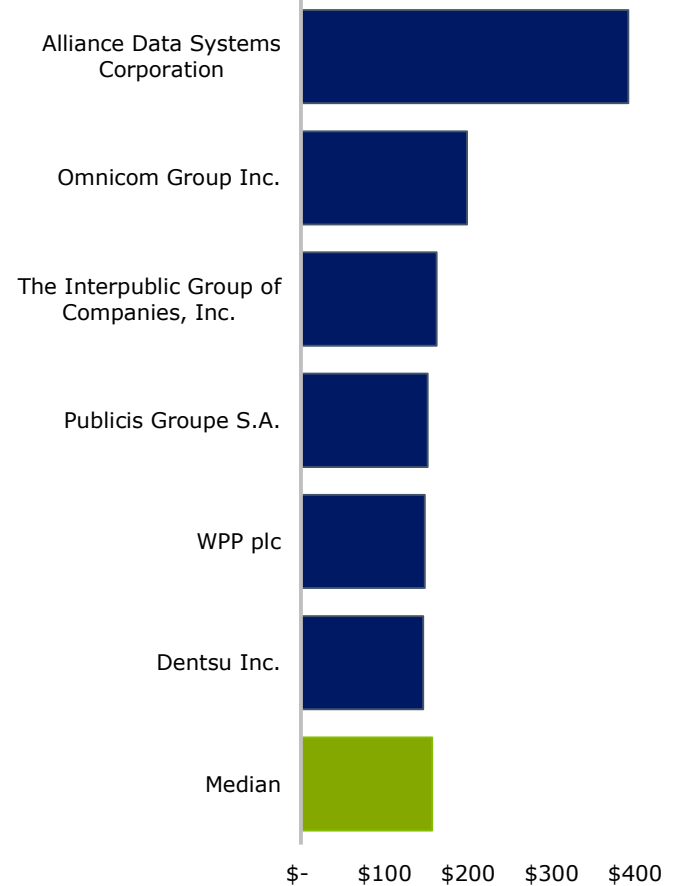
Operational Metrics



LTM Revenue Growth %



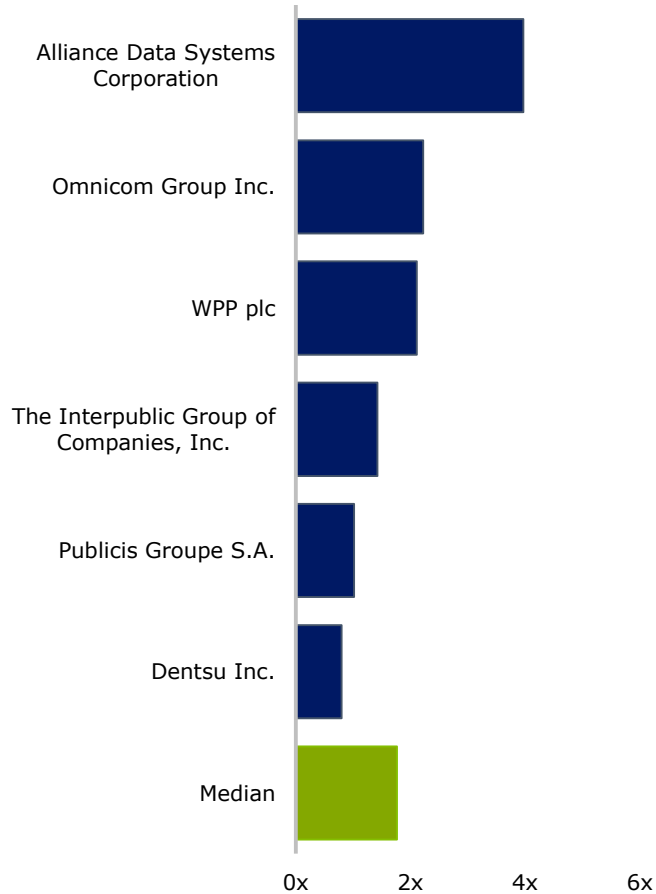
LTM Revenue per Full Time Employee x 000's



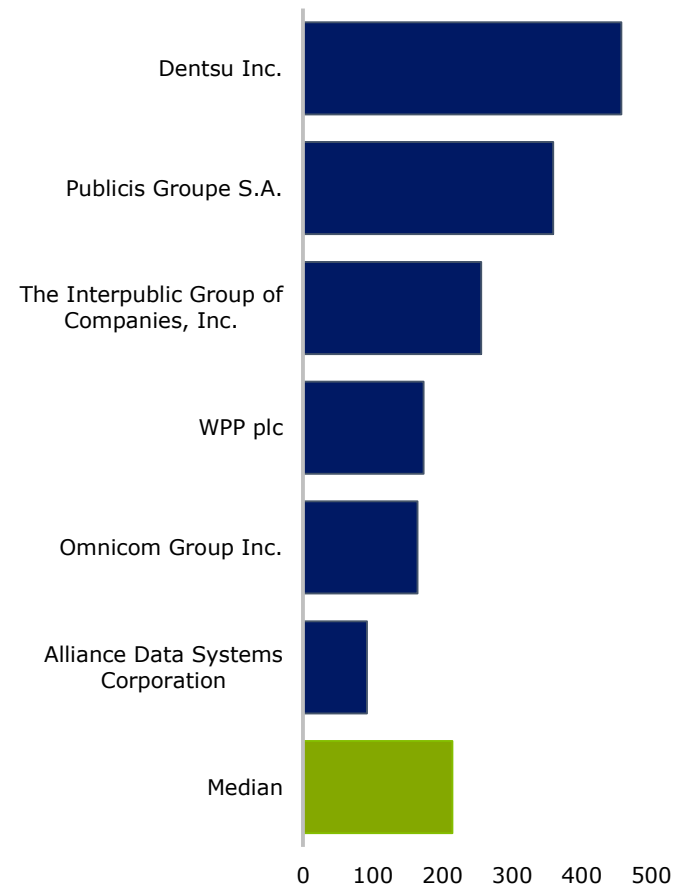
Operational Metrics



Accounts Receivable Turnover



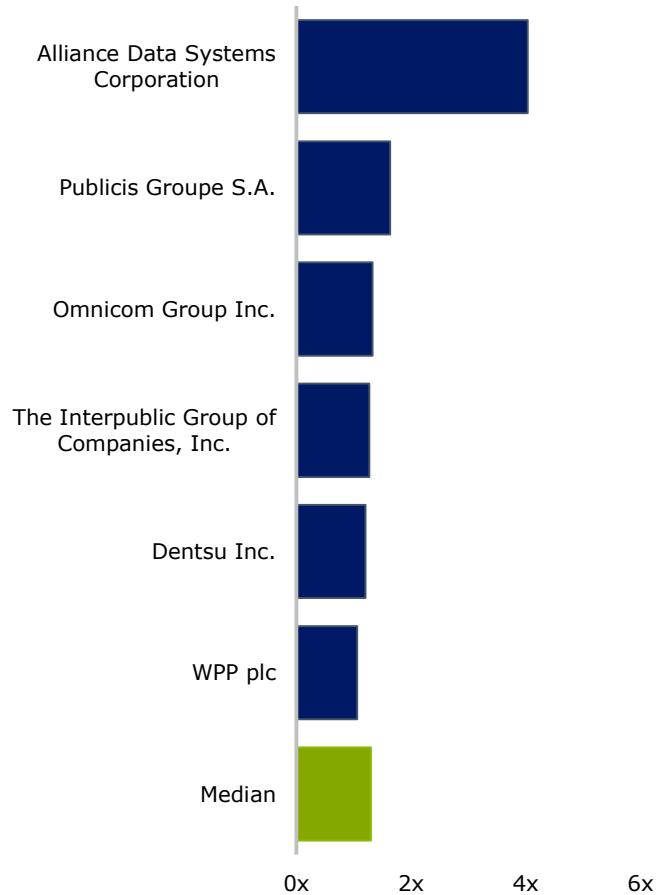
Average Days Sales Outstanding



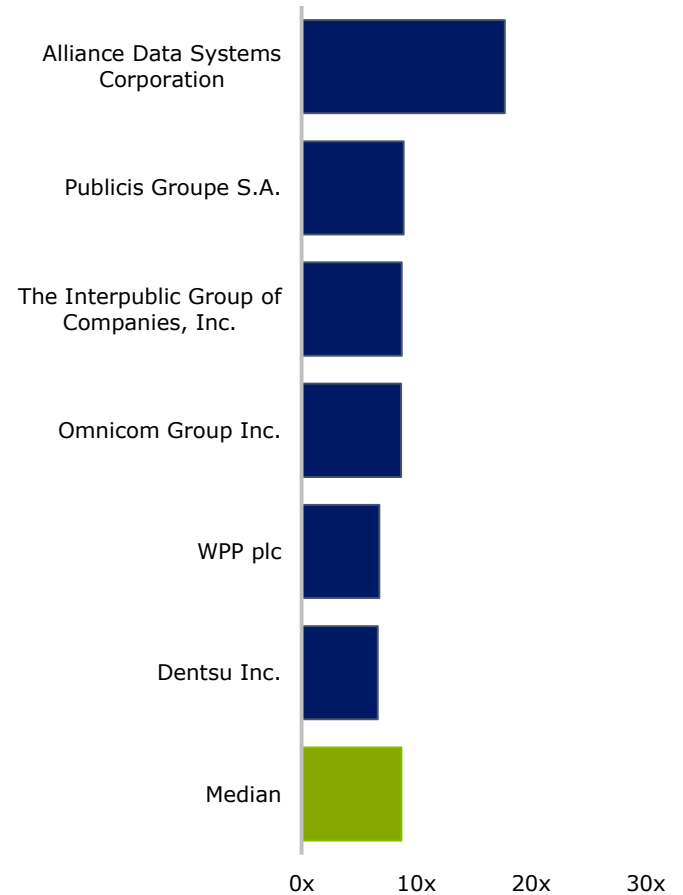
Valuation



TEV / LTM Revenue



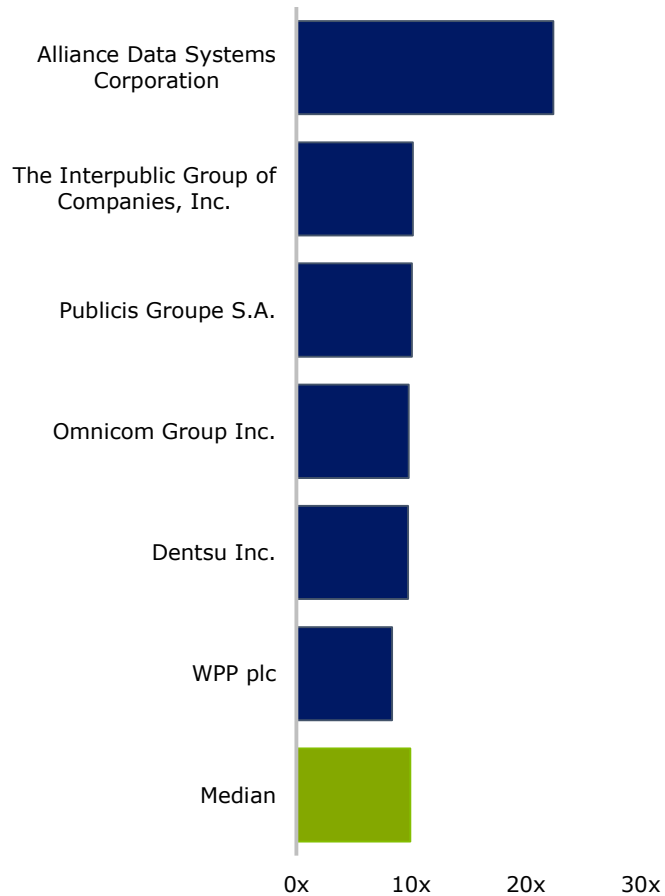
TEV / LTM EBITDA



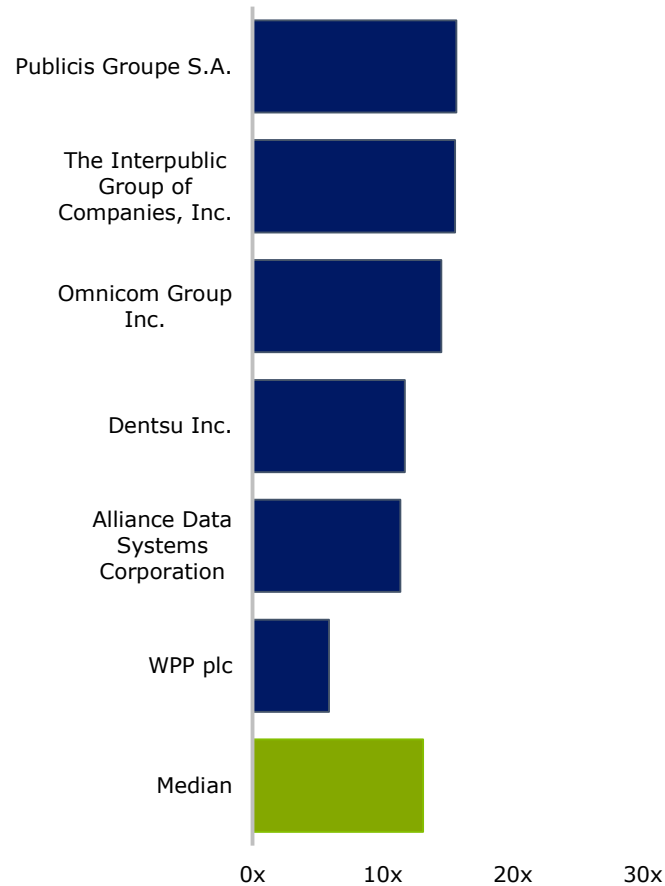
Valuation



TEV / LTM EBIT



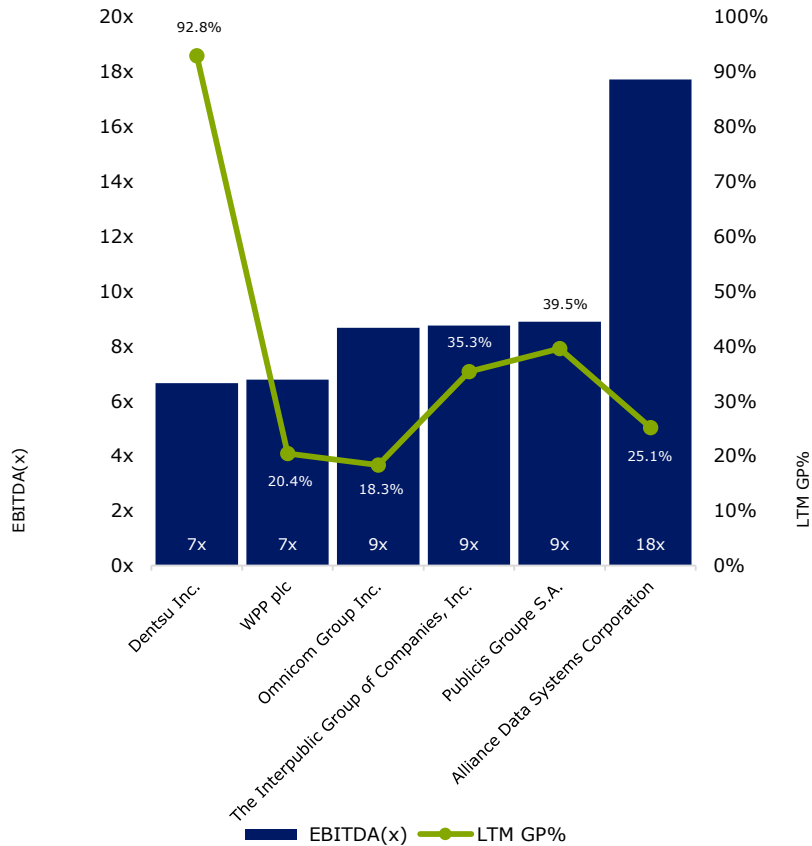
Price / LTM Earnings



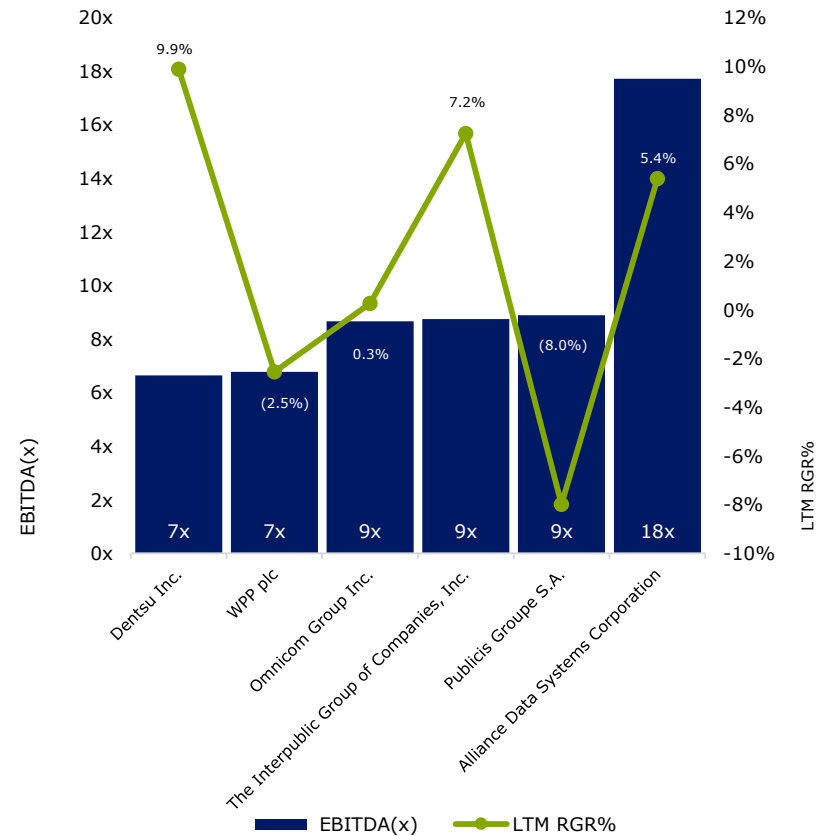
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



<u>Date</u>	<u>Target</u>	<u>Buyer / Investor</u>	<u>Total Transaction Value</u>	<u>Target Revenue</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
1Nov18	Flywheel Digital LLC	Ascential plc	400.00	-	-	-
29Oct18	Elixiter, Inc.	Perficient, Inc.	-	6.00	-	-
9Oct18	Interactive Thinking Srl	Capgemini Invent	-	-	-	-
4Oct18	We Are Vista Limited	ICF International, Inc.	-	21.36	-	-
10Oct18	June 21	Capgemini Invent	-	-	-	-
24Sep18	Emark B.V.	Wunderman Limited	-	-	-	-
6Sep18	CPC Strategy Inc.	Elite SEM Inc.	-	-	-	-
20Aug18	Amicus Digital Ventures Pty Ltd	Merkle Inc.	-	-	-	-
8Aug18	Gorilla, Inc.	Wunderman Commerce	-	40.00	-	-
2Aug18	Gencorp Technologies, Inc.	Omnicom Precision Marketing Group	-	-	-	-
16Jul18	Stone Temple Consulting Corporation	Perficient, Inc.	-	9.00	-	-
12Jul18	Global Mind S.A.	Dentsu Aegis Network Ltd.	-	382.10	-	-
28Jun18	Kremsa Digital, Inc.	The Pastilla Institute of Design, Inc.	-	-	-	-
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	-	-	-	-
10May18	FRWD Co.	Bain & Company, Inc.	-	-	-	-
25Apr18	Virtual Affairs Nederland B.V.	We Are You B.V.	-	-	-	-
24Apr18	Dame Media, LLC	-	-	-	-	-
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	-	-

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APPENDIX: Public Basket Constituents

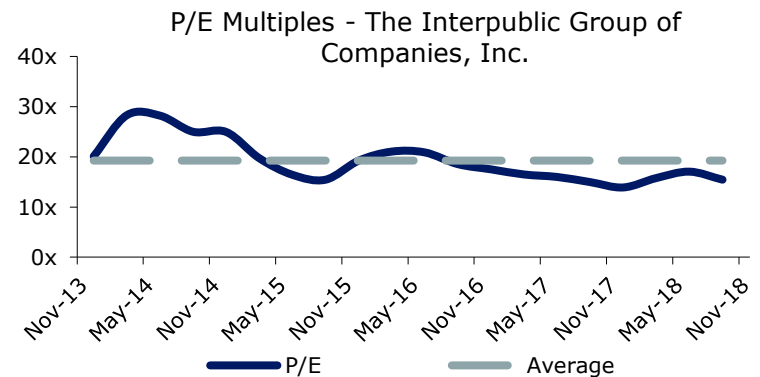
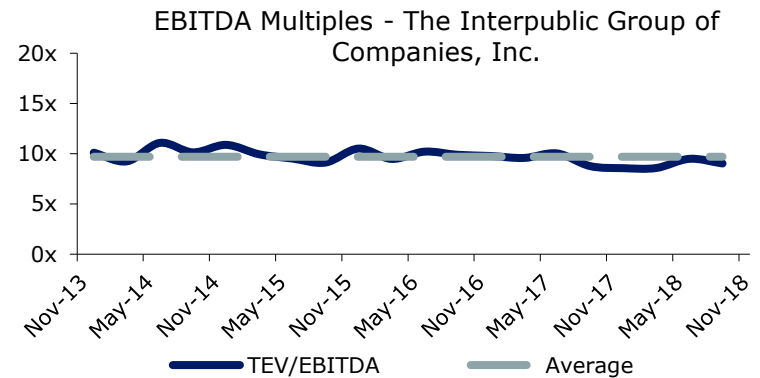
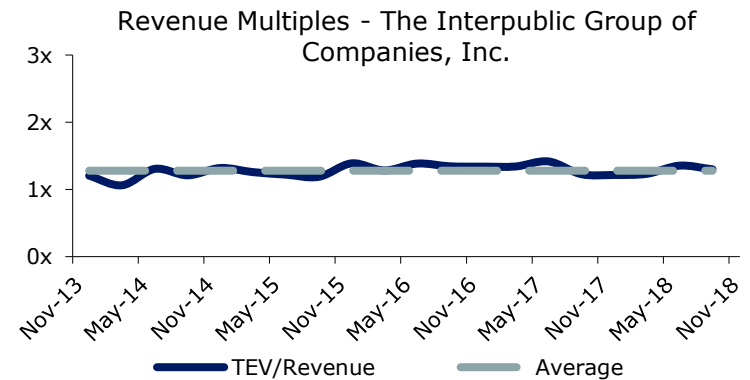
Public Basket



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
9/30/18	The Interpublic Group of Companies, Inc. (NYSE:IPG) ("IPG") completed the acquisition of membership interest in Acxiom Marketing Solutions business of Acxiom Corporation (NasdaqGS:ACXM).



Public Basket

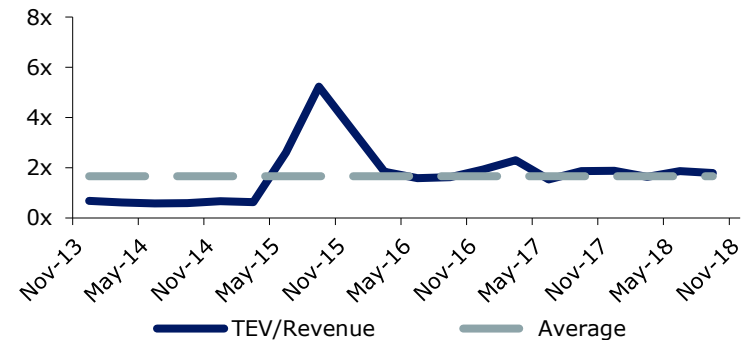


Dentsu Inc.

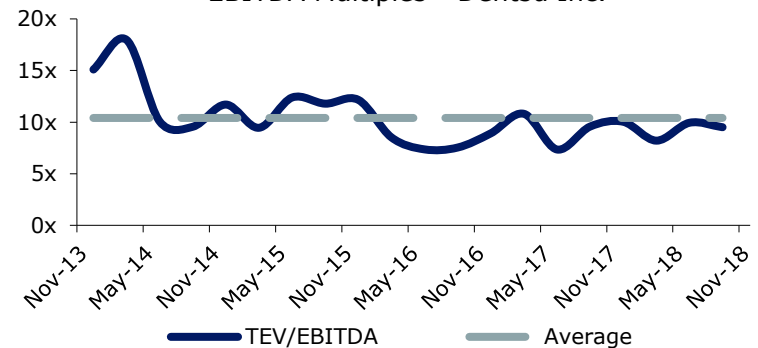
Dentsu Inc. provides advertising services in Japan and internationally. The company offers advertising through media, including newspapers, magazines, radio, television, Internet, sales promotion, movies, outdoor events, public transportation, and others; and event marketing, sports marketing, public 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
11/7/18	ONE Championship and Dentsu Inc. Agree to Launch One eSports as Joint Venture Together in 2019
10/29/18	Dentsu Inc. (TSE:4324) made a tender offer to acquire 19.4% stake in Septeni Holdings Co., Ltd. (JASDAQ:4293) from shareholders for ¥7 billion.
8/1/18	KDDI Corporation (TSE:9433) signed a contract to acquire 16.63% stake in Kakaku.com, Inc. (TSE:2371) from Dentsu Inc. (TSE:4324) for approximately ¥79.3 billion.

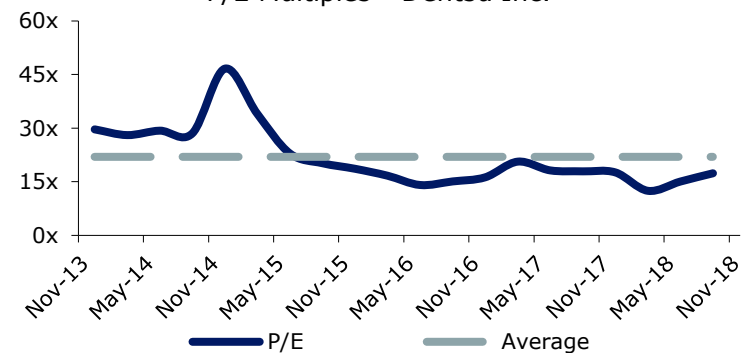
Revenue Multiples - Dentsu Inc.



EBITDA Multiples - Dentsu Inc.



P/E Multiples - Dentsu Inc.



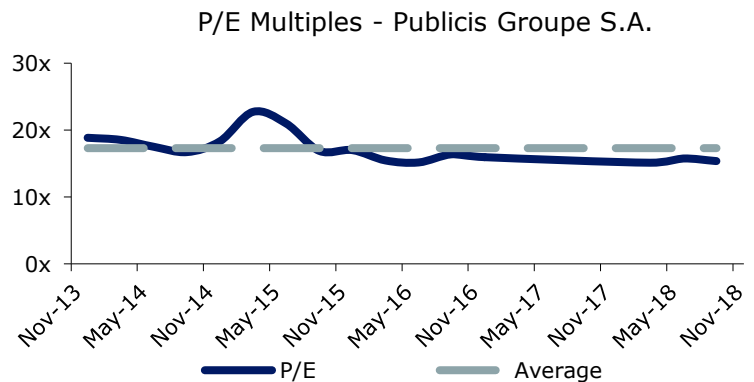
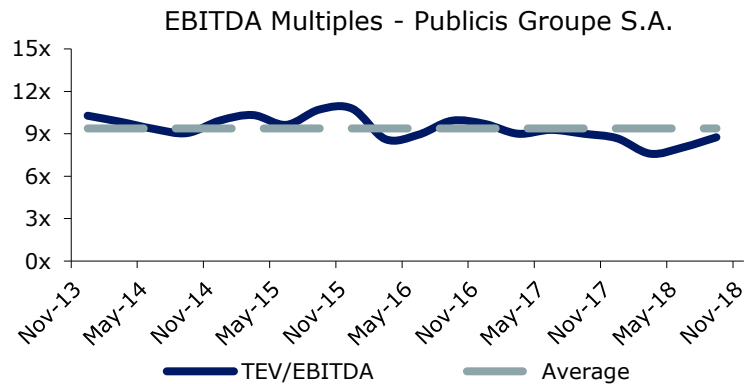
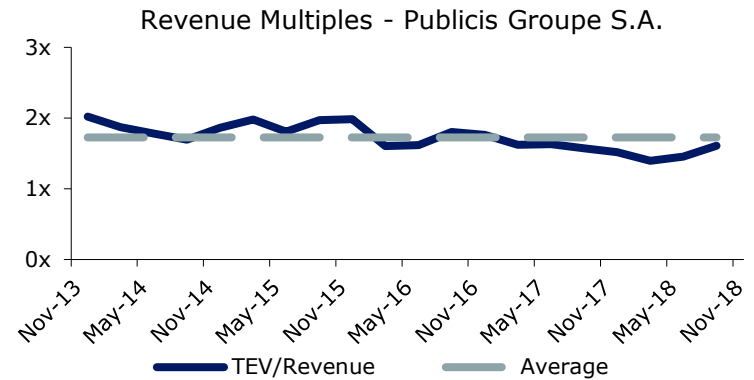
Public Basket



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. Publicis Groupe S.A. was founded in 1926 and is headquartered in Paris, France.

Date	Key Development Headline
10/18/18	Publicis Groupe Plans To Sell Health-Care Business
10/3/18	Publicis Groupe S.A. (ENXTPA:PUB) acquired Kindred Group.



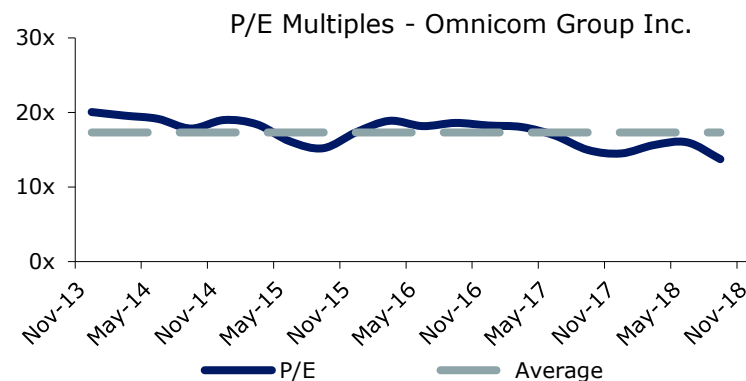
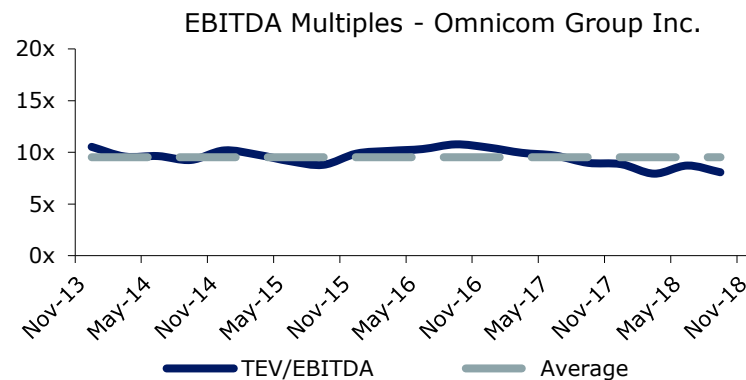
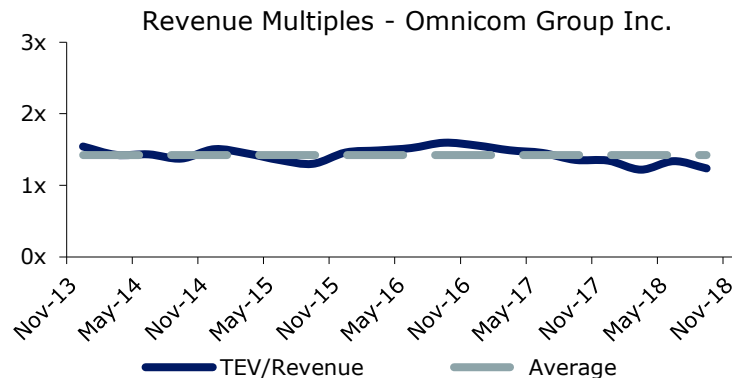
Public Basket



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. Omnicom Group Inc. was founded in 1944 and is based in New York, New York.

Date	Key Development Headline
8/31/18	Webhelp SAS completed the acquisition of SELBYTEL Group GmbH from Omnicom Group Inc. (NYSE:OMC).
7/17/18	Omnicom Group Seeks Acquisitions
6/18/18	Webhelp SAS signed an agreement to acquire SELBYTEL Group GmbH from Omnicom Group Inc. (NYSE:OMC).
2/15/18	Omnicom Seeks Acquisitions



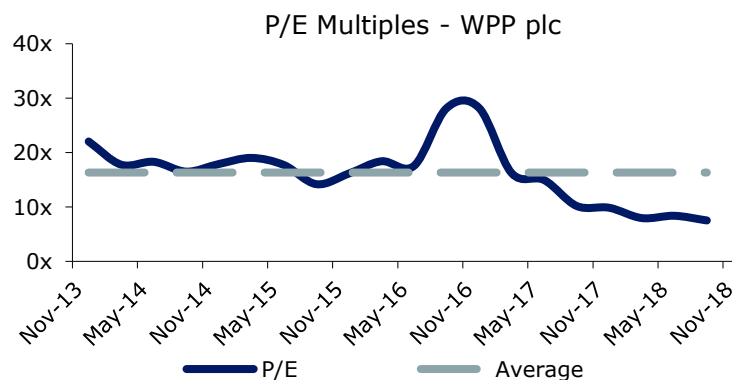
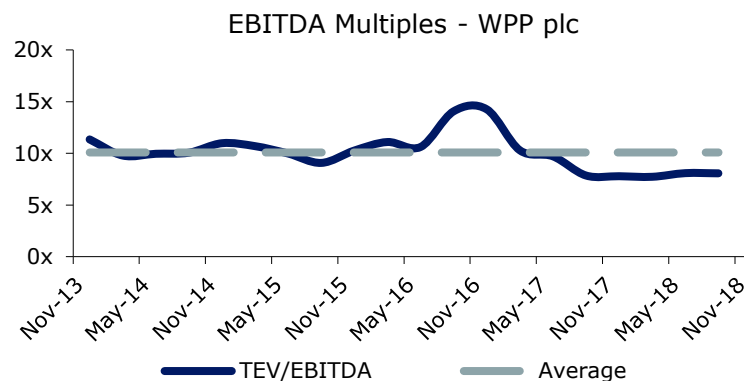
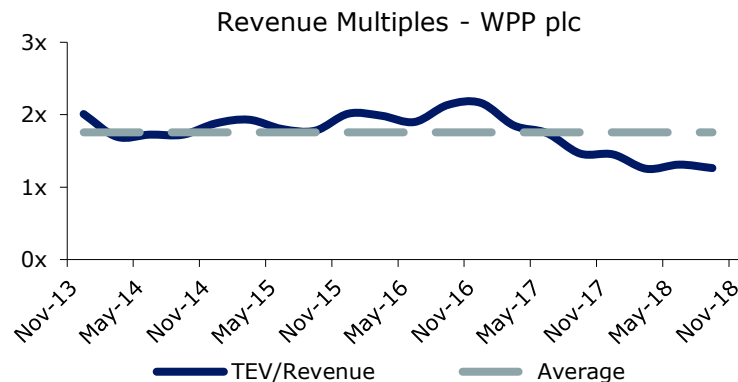
Public Basket



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 Consulting, Health & Wellness 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
10/25/18	WPP Says Open To Stake Sale In Kantar
6/25/18	WPP May Sell Minority Stakes In Some Of Its Businesses
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).

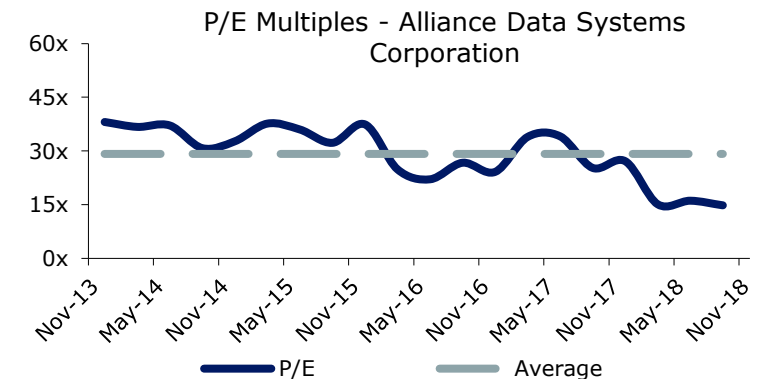
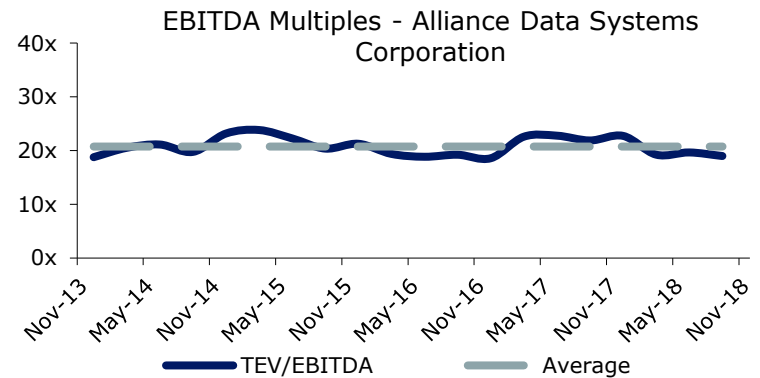
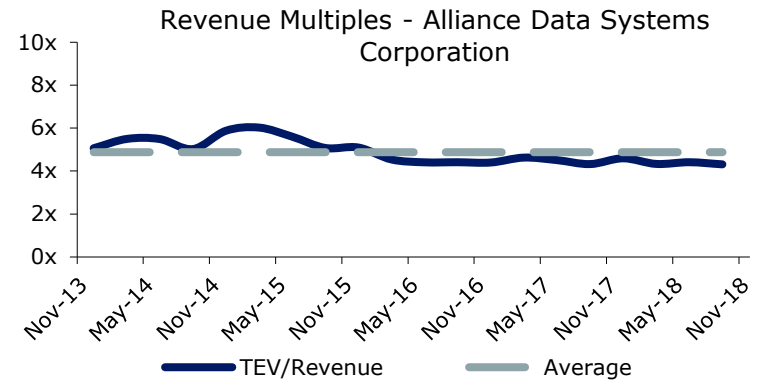


Public Basket



Alliance Data Systems Corporation

Alliance Data Systems Corporation provides data-driven marketing and loyalty solutions worldwide. It operates through three segments: LoyaltyOne, Epsilon, and Card Services. The company offers a portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, end-to-end marketing services, analytics and creative services, direct marketing services, and private label and co-brand retail credit card programs. It also focuses on facilitating and managing interactions between its clients and their customers through various consumer marketing channels, including in-store, online, email, social media, mobile, direct mail, and telephone. The company captures and analyzes data created during each customer interaction, leveraging the insight derived from that data to enable clients to identify and acquire new customers and to enhance customer loyalty. It serves clients across various end-markets, including financial services, specialty retail, grocery and drugstore chains, petroleum retail, automotive, hospitality and travel, telecommunications, insurance, and healthcare. Alliance Data Systems Corporation was founded in 1996 and is headquartered in Plano, Texas.



Date	Key Development Headline
7/30/18	Alliance Data Systems Seeks Acquisitions

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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