



# Sectorwatch: Digital Agency

April 2020

# Digital Agency

April 2020

- Sector Dashboard [4]
- Public Basket Performance [5]
- Operational Metrics [7]
- Valuation Comparison [10]
- Recent Deals [13]
- Appendix [15]

# 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

↓ -0.9%

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

↓ -2.7%

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

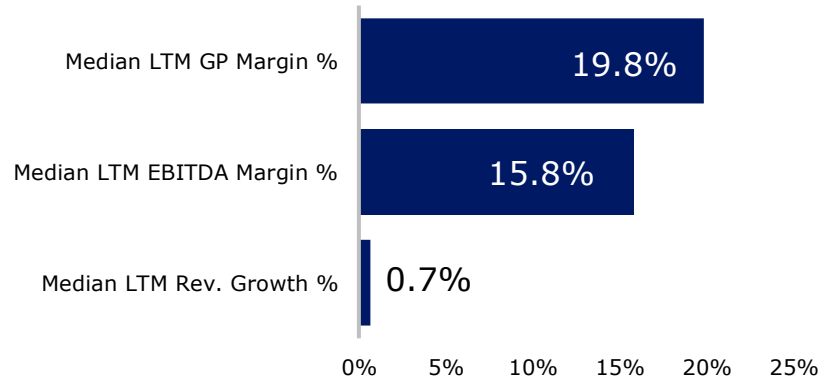
## Profitability

↓ -0.5%

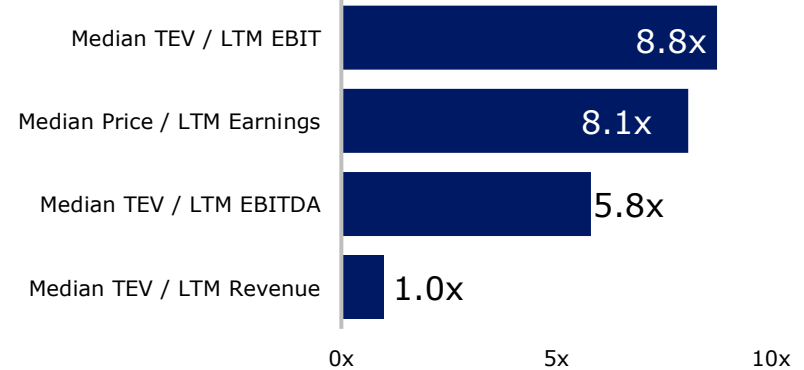
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

## Operating Metrics



## Valuation



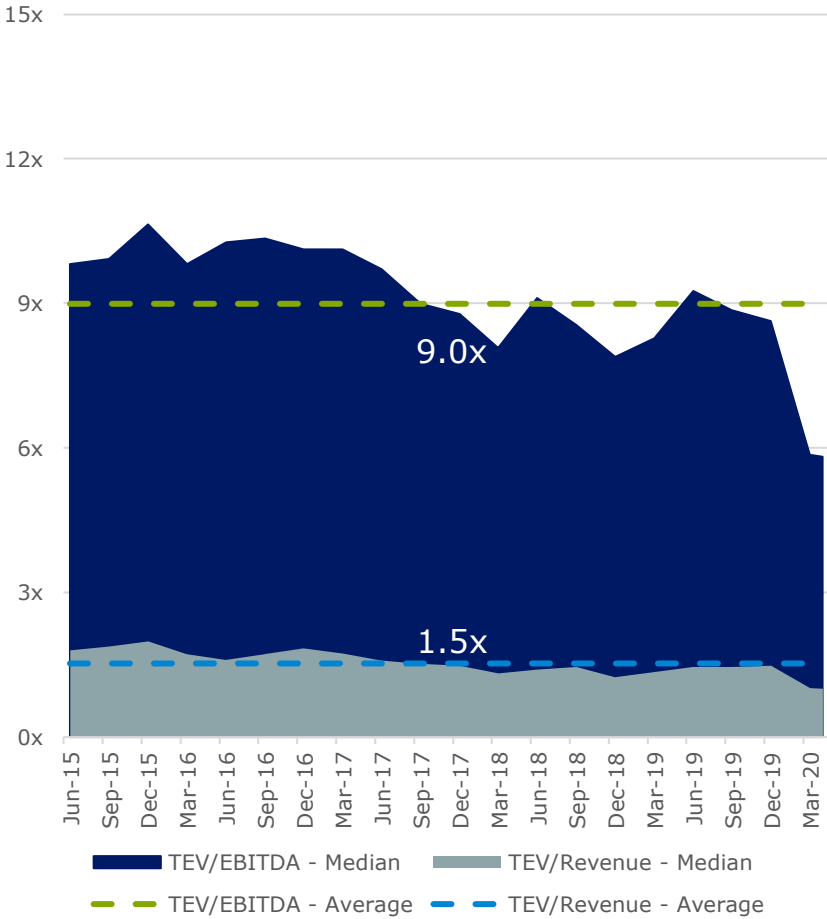
# Public Basket



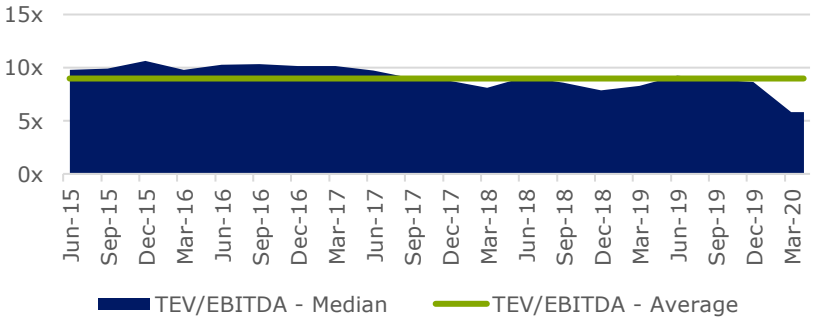
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Dentsu Group Inc.	9,107	9,642	3%	90%	15%	0.9	6.1	66,400	145
The Interpublic Group of Companies, Inc.	10,254	8,592	4%	21%	16%	1.2	6.0	54,300	158
Publicis Groupe S.A.	12,278	12,345	23%	46%	22%	1.0	4.7	84,000	147
WPP plc	13,267	17,527	-15%	18%	12%	0.8	5.6	106,786	164
Omnicom Group Inc.	14,550	14,892	-2%	18%	15%	1.0	5.5	70,000	213
Alliance Data Systems Corporation	18,595	5,629	-27%	19%	16%	3.3	19.2	8,500	662
<b>Average</b>	13,008	11,438	-2%	35%	16%	1.4	7.9	64,998	248
<b>Median</b>	12,772	10,994	1%	20%	16%	1.0	5.8	68,200	161

share price as of 24Apr20

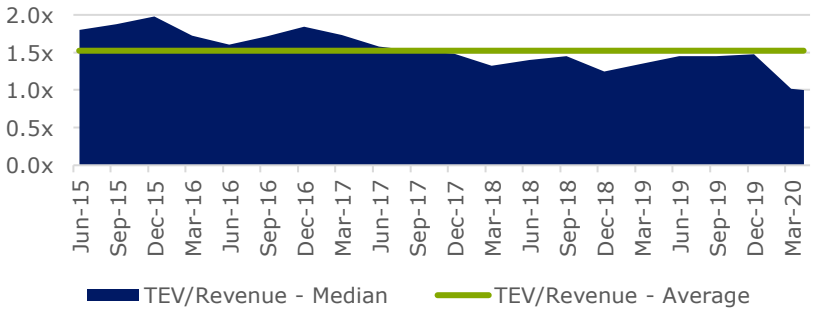
# Public Basket Valuation Trends



Public EBITDA Multiples over Time



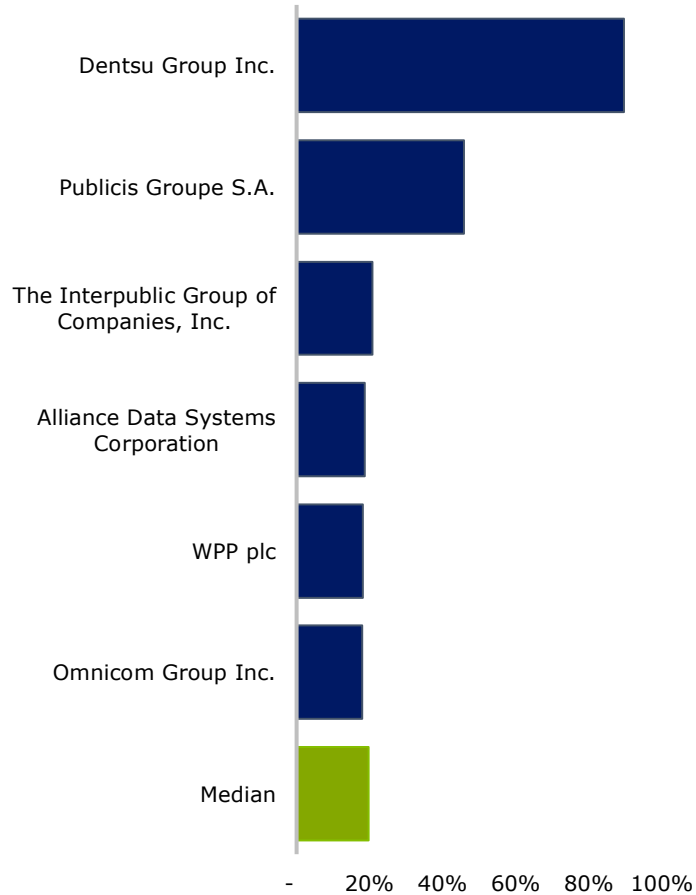
Public Revenue Multiples over Time



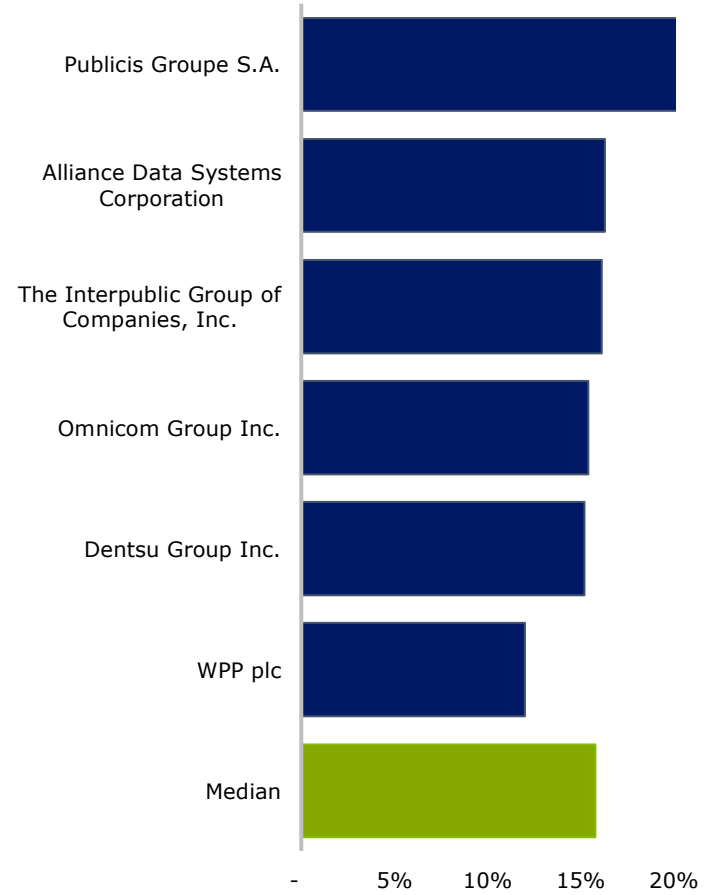
# Operational Metrics



LTM Gross Profit Margin %



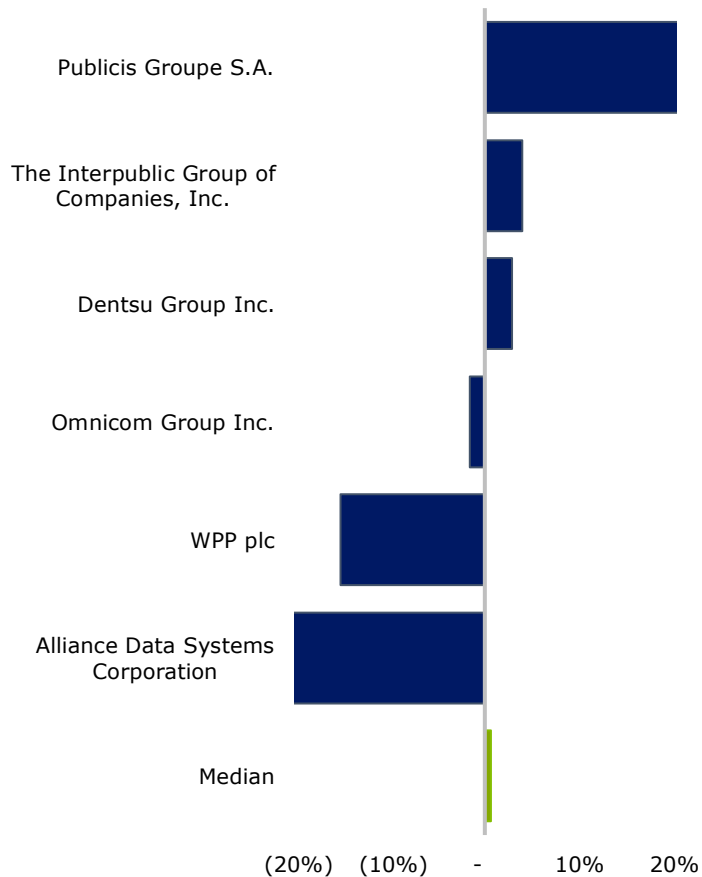
LTM EBITDA %



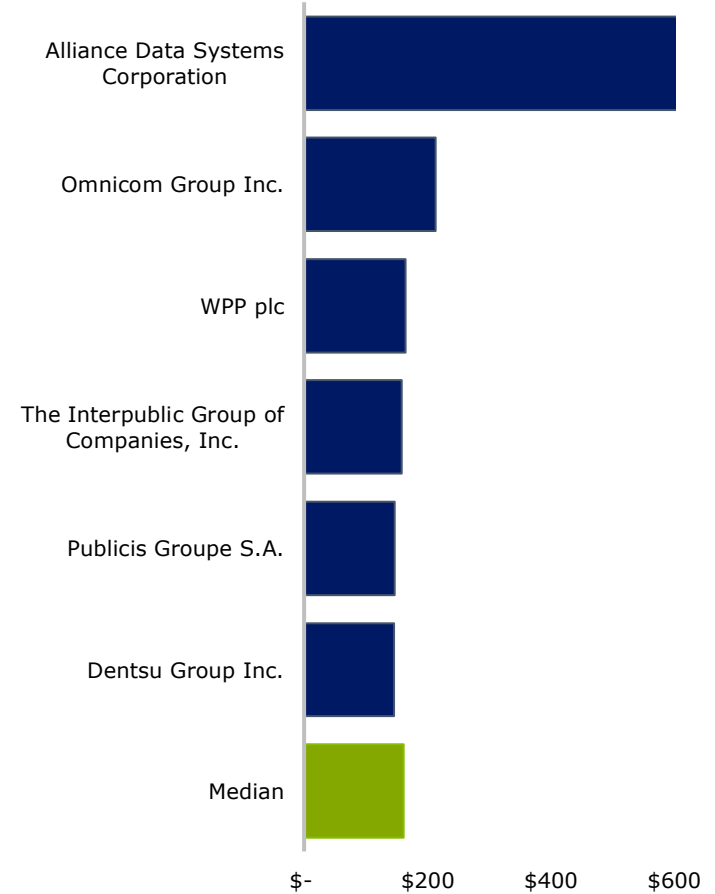
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

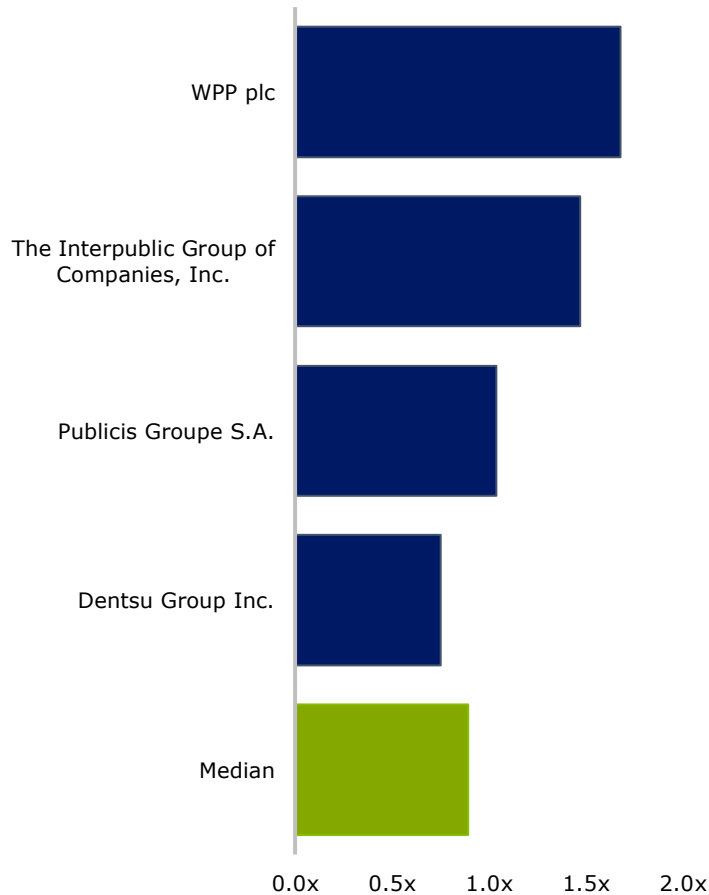




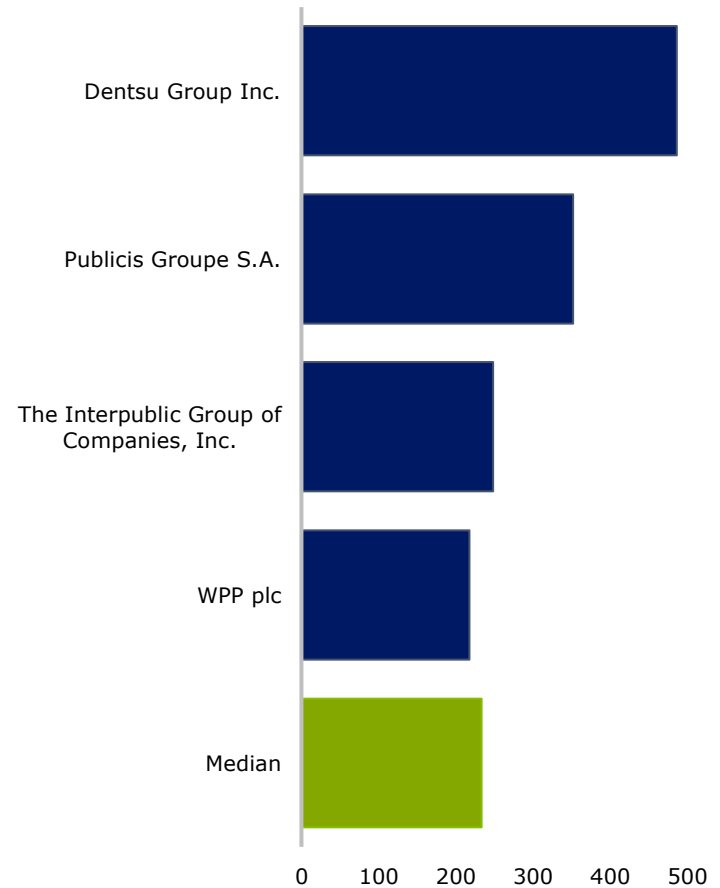
# Operational Metrics



## Accounts Receivable Turnover



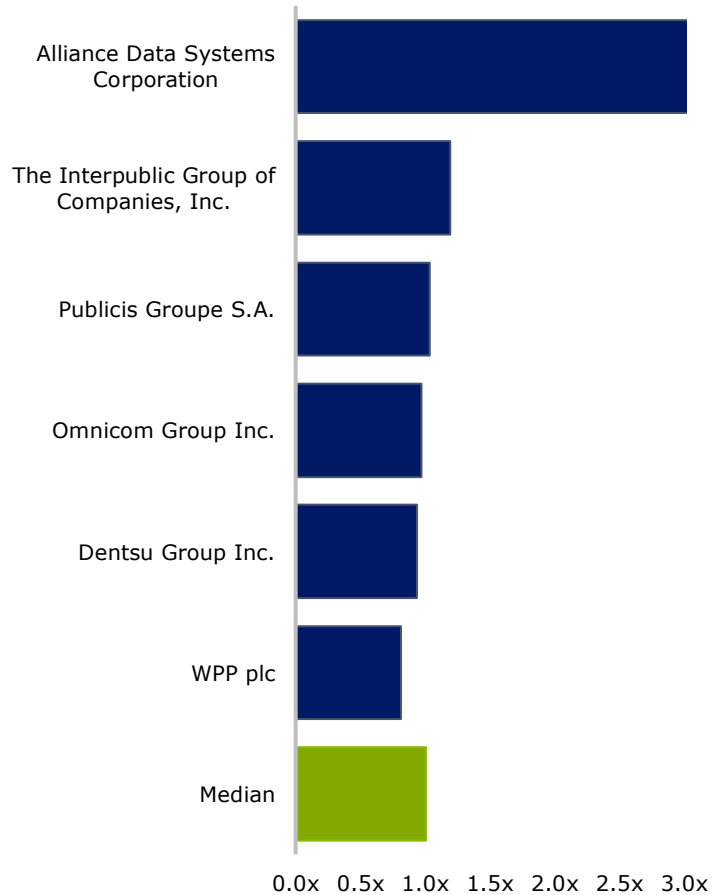
## Average Days Sales Outstanding



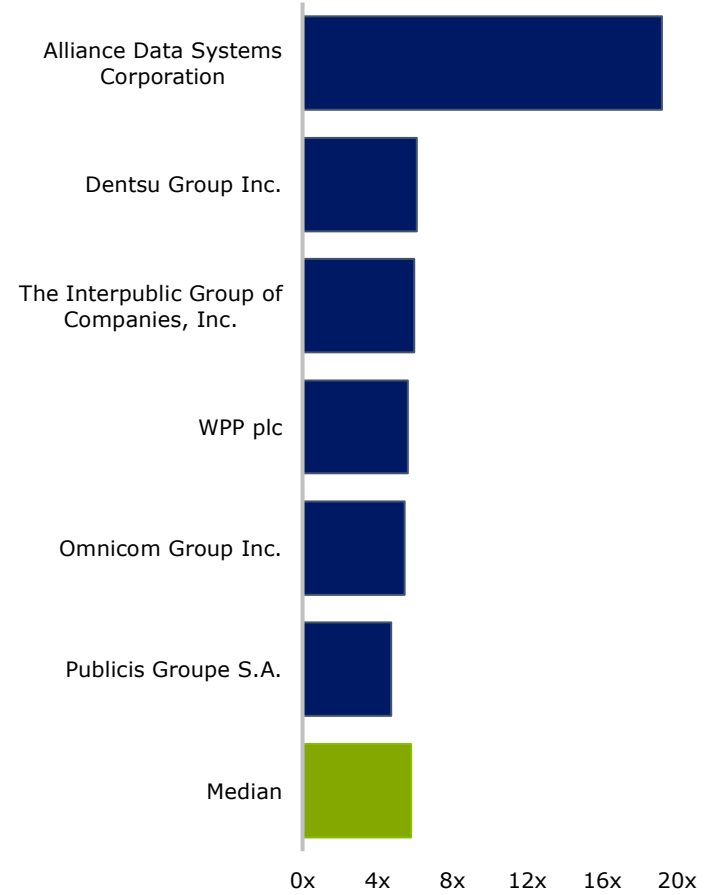
# Valuation



TEV / LTM Revenue



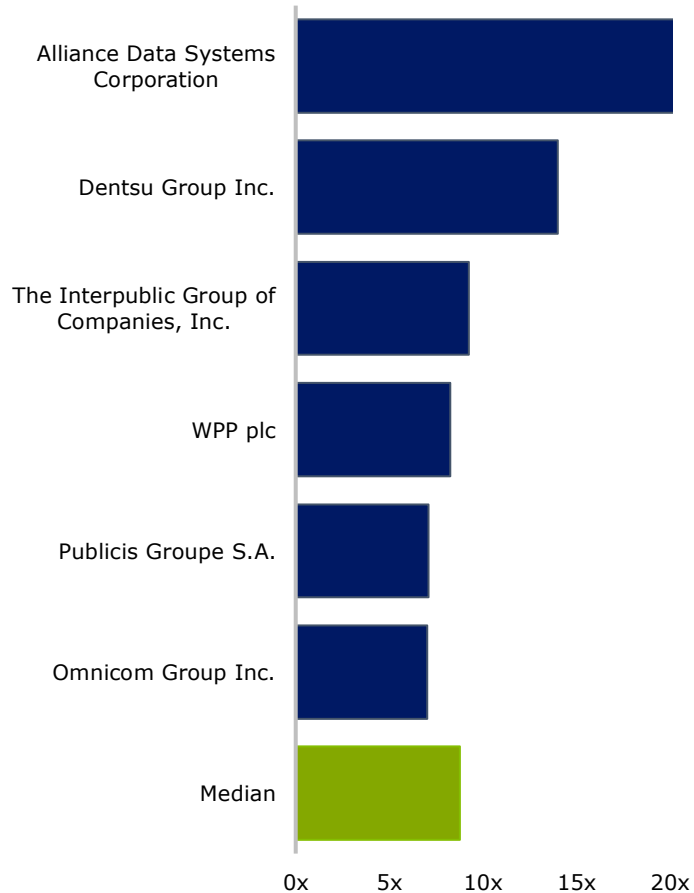
TEV / LTM EBITDA



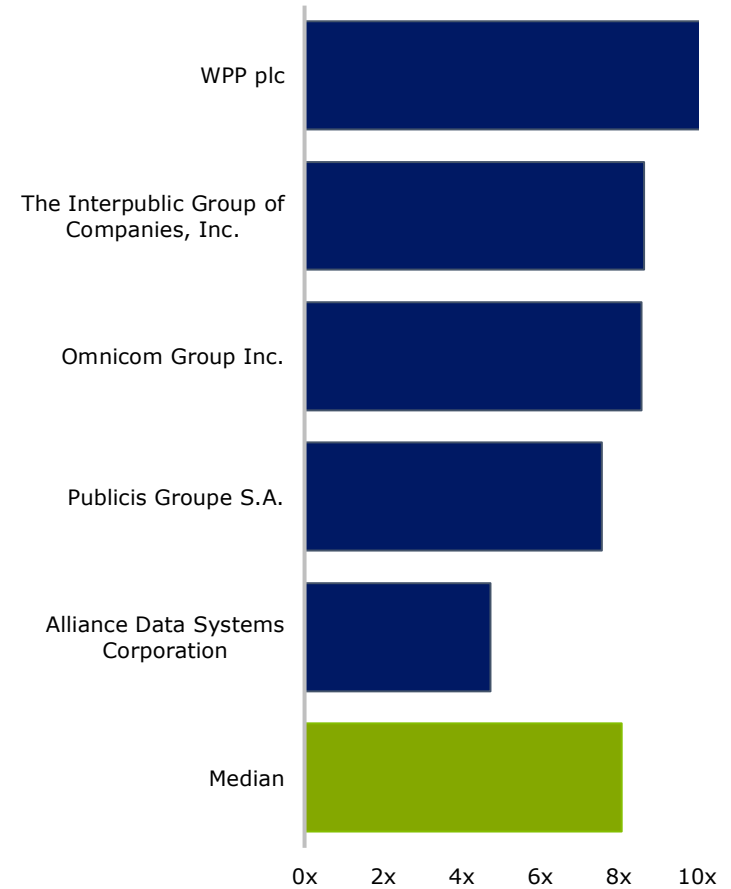
# Valuation



## TEV / LTM EBIT



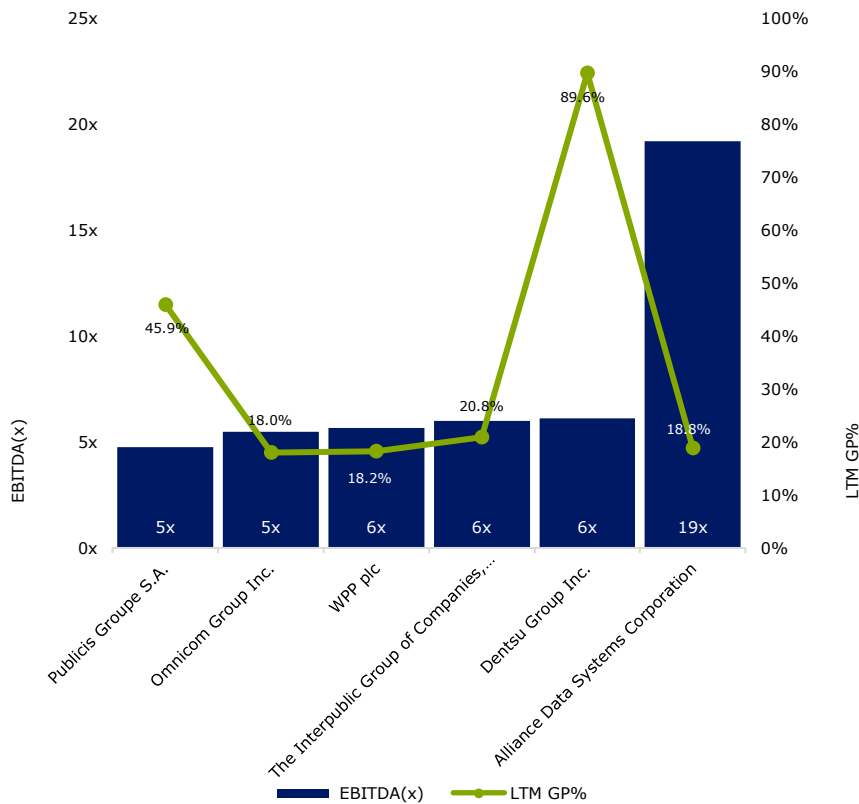
## Price / LTM Earnings



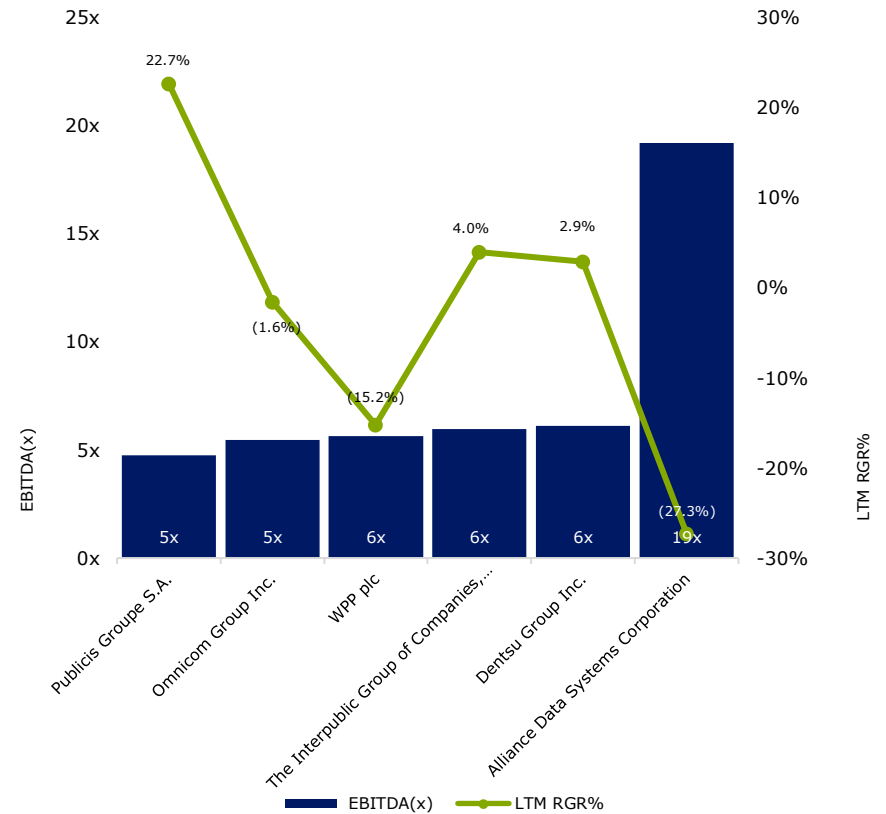
# Valuation



## 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>
27Apr20	Assets of Money Mailer	Local Marketing Solutions Group Inc.	-	-	-	-
25Mar20	Merkle Inc.	Dentsu Aegis Network Ltd.	98.78	-	-	-
9Mar20	HouseLens, Inc.	Seek Now	-	-	-	-
18Feb20	Publipage Inc	Intema Solutions Inc.	-	1.58	-	-
5Feb20	Bridge2 Solutions, Inc.	Intercontinental Exchange, Inc.	-	-	-	-
5Feb20	Players Media Group, Inc.	-	-	-	-	-
6Jan20	DealerOn, Inc.	NexPhase Capital, LP	-	-	-	-
12Nov19	Element, LLC	MJH Life SCIENCES LLC	-	-	-	-
30Oct19	Nytec Inc.	Accenture plc	-	-	-	-
23Sep19	Engage:BDR LLC	-	23.25	-	-	-
5Aug19	Connective DX, Inc.	ProKarma Inc.	-	-	-	-
31Jul19	Pop Art, Inc.	-	1.00	-	-	-
1Jul19	SocialGIZ	Monk Media Network	-	-	-	-
20May19	MeritDirect LLC	Mountaingate Capital Fund I, L.P.; Mountaingate Capital Management, L.P.	-	-	-	-
13May19	Assets of Sundog Interactive, Inc.	Perficient, Inc.	14.00	-	-	-
12Apr19	Epsilon Data Management, LLC	Publicis Groupe Holdings B.V.; MMS USA Investments, Inc.	4,400.00	1,900.00	2.3x	8.2x
4Apr19	I-Cubed Holding, Inc.	Blue Acorn, LLC (nka:Blue Acorn iCi)	-	-	-	-
1Mar19	Springbox, Ltd. (nka:Springbox, a Prophet company)	Prophet, Inc.	-	-	-	-
5Mar19	NichePlus Digital	AMF Media Group	-	-	-	-
21Feb19	Happy Marketer Private Ltd.	Dentsu Aegis Network Ltd.	-	4.85	-	-
1Jan19	SpeakerBox Communications, LLC	REQ, Inc.	-	-	-	-
12Dec18	Adaptly, Inc.	Accenture plc	-	-	-	-
11Dec18	Mustache LLC	Cognizant Technology Solutions Corporation	-	-	-	-
6Dec18	We Are Friday Limited	PA Consulting Group Limited	-	-	-	-
1Nov18	Flywheel Digital LLC	Ascential plc	400.00	-	-	-
29Oct18	Elixiter, Inc.	Perficient, Inc.	11.70	6.00	2.0x	-
9Oct18	Interactive Thinking Srl	Capgemini Invent	-	-	-	-

# Digital Agency

March 2020

## APPENDIX: Public Basket Constituents

# Public Basket

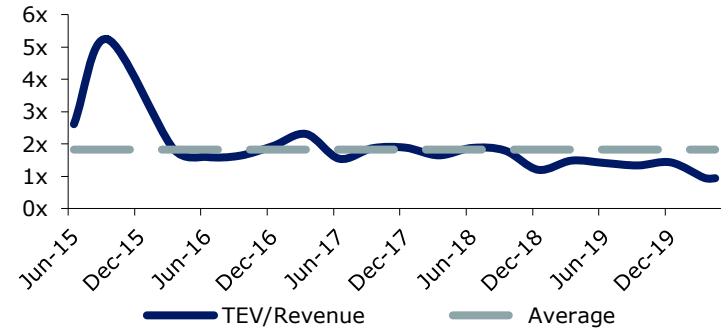


## Dentsu Inc.

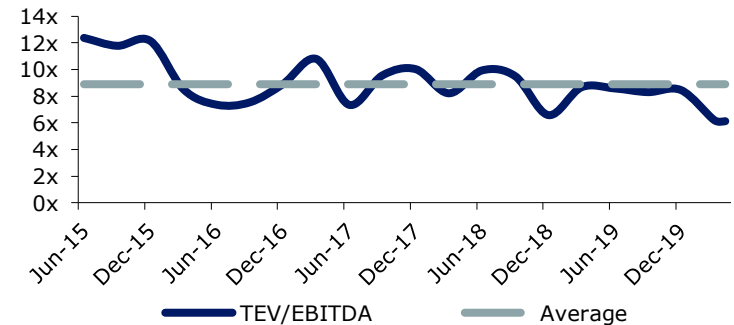
Dentsu Inc. provides advertising services in Japan and internationally. The company offers advertising through media, including newspapers, magazines, radio, television, Internet, sales promotion, movies, outdoor events, public transportation, and others; and event marketing, sports marketing, public 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
3/31/20	Hybrid Technologies Co., Ltd. acquired Dentsu Techno Camp Co., Ltd. from Evolvable Asia Co., Ltd. and Dentsu Group Inc. (TSE:4324).
11/20/19	Dentsu Inc. (TSE:4324) acquired an unknown minority stake in SHOWROOM Inc. from DeNA Co., Ltd. (TSE:2432).
8/1/19	KDDI Corporation (TSE:9433) cancelled the acquisition of 16.63% stake in Kakaku.com, Inc. (TSE:2371) from Dentsu Inc. (TSE:4324).

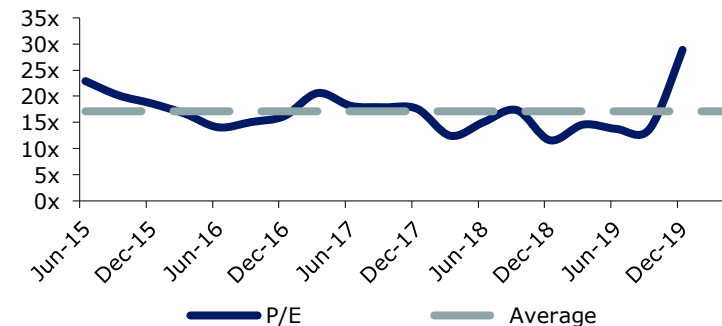
Revenue Multiples - Dentsu Group Inc.



EBITDA Multiples - Dentsu Group Inc.



P/E Multiples - Dentsu Group Inc.



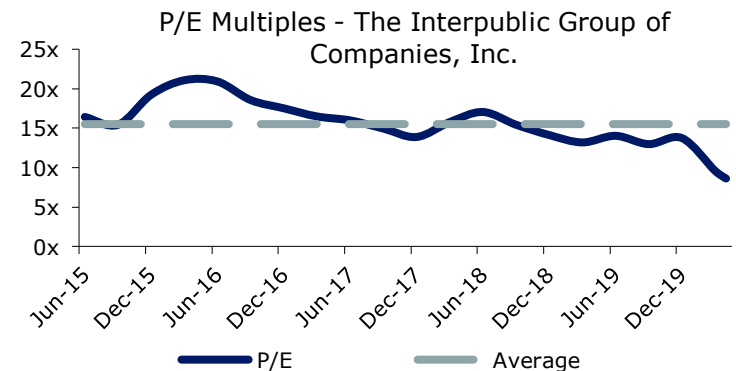
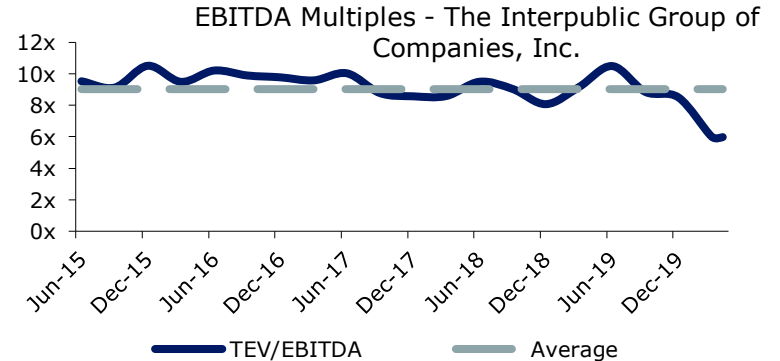
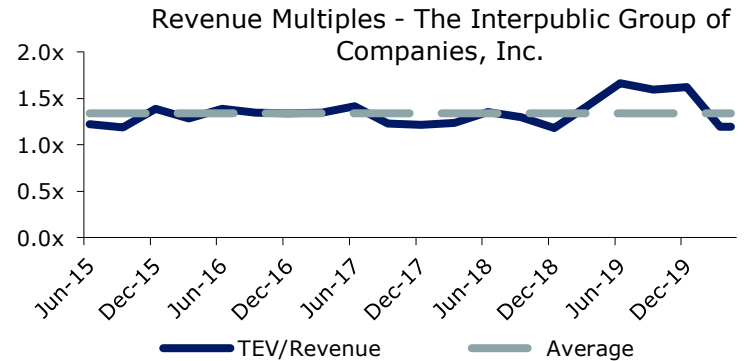
# Public Basket



## 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
1/7/20	Dave Fitzgerald acquired Fitzgerald & Company Inc. from The Interpublic Group of Companies, Inc. (NYSE:IPG) in a mangement buyout transaction.
11/13/19	Michael Kapfer and Dieter Pivr nec acquired 80% stake in Lowe GGK Werbeagentur GmbH from The Interpublic Group of Companies, Inc. (NYSE:IPG).
4/1/19	Interpublic Group of Companies To Seek Acquisitions





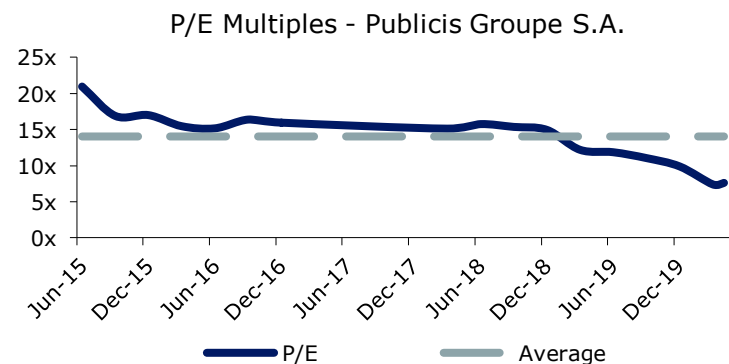
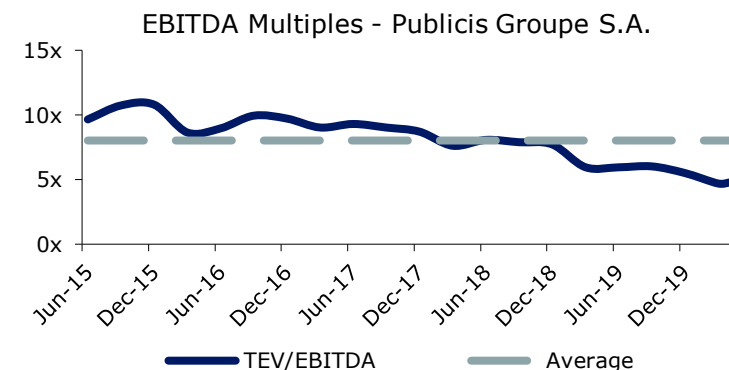
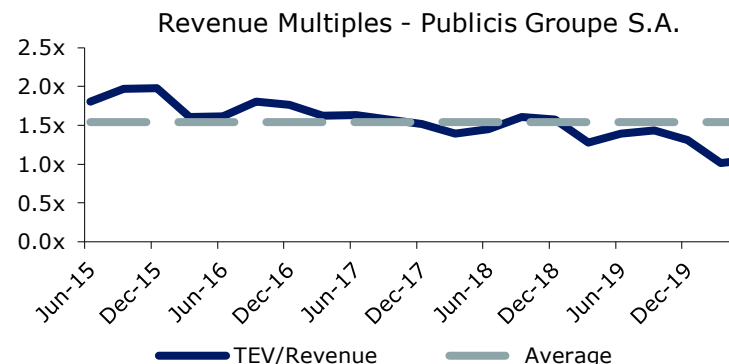
# Public Basket



## 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. 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
3/24/20	An unknown buyer acquired 22.7% stake in Matomy Media Group Ltd. (LSE:MTMY) from Publicis Groupe S.A. (ENXTPA:PUB).
1/8/20	Habert Dassault Finance SARL and Jérôme Doncieux acquired an unknown stake in Relaxnews SA from Publicis Groupe S.A. (ENXTPA:PUB).
11/29/19	Zeta Interactive Corp. and Publicis Groupe S.A. (ENXTPA:PUB) completed the acquisition of Programmatic business and certain assets of IgnitionOne, Inc.
9/17/19	Zeta Interactive Corp. agreed to acquire Programmatic business and certain assets of IgnitionOne, Inc.



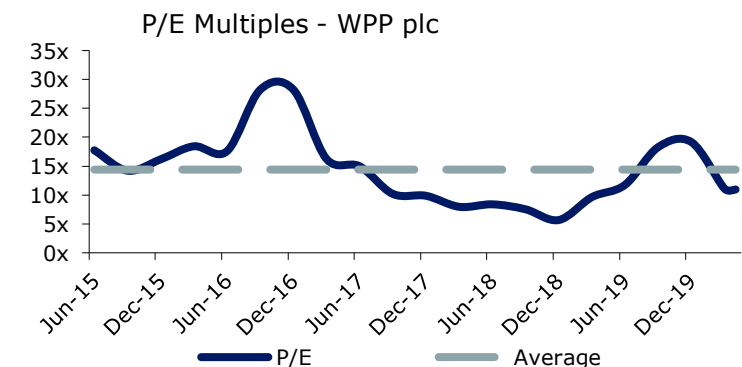
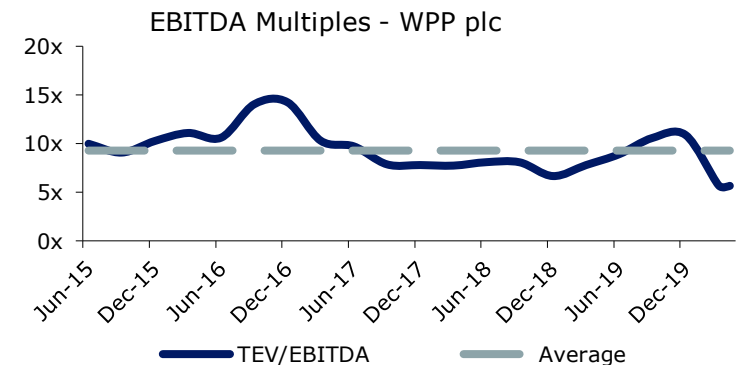
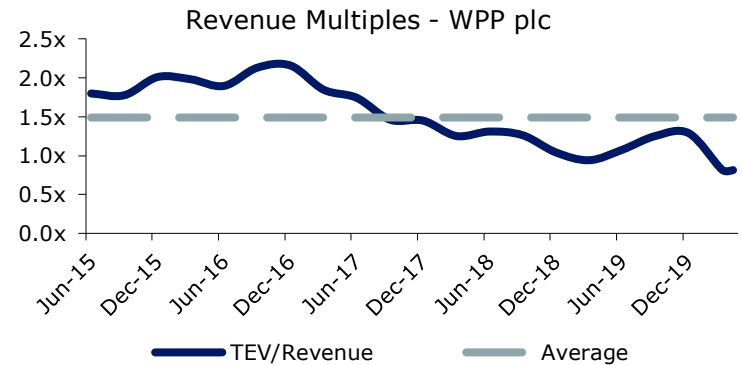
# Public Basket



## 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
3/30/20	Bruin Sports Capital LLC completed the acquisition of unknown majority stake in Two Circles Limited from WPP plc (LSE:WPP).
2/10/20	WPP plc (LSE:WPP) acquired an additional 21% stake in The & Partners London Limited from Johnny Hornby and his management team.
12/15/19	Bruin Sports Capital LLC agreed to acquire unknown majority stake in Two Circles Limited from WPP plc (LSE:WPP).
12/4/19	Bain Capital Private Equity, LP completed the acquisition of 60% stake in Kantar from WPP plc (LSE:WPP).



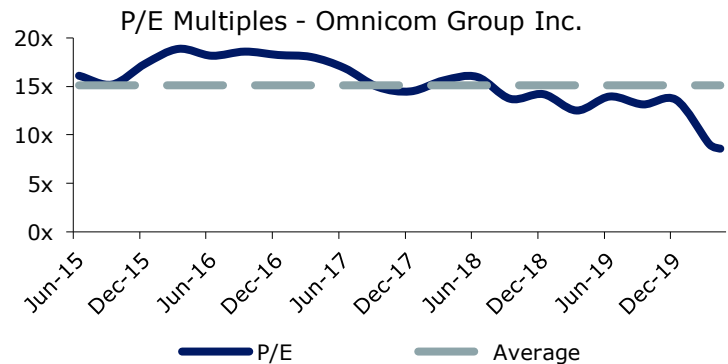
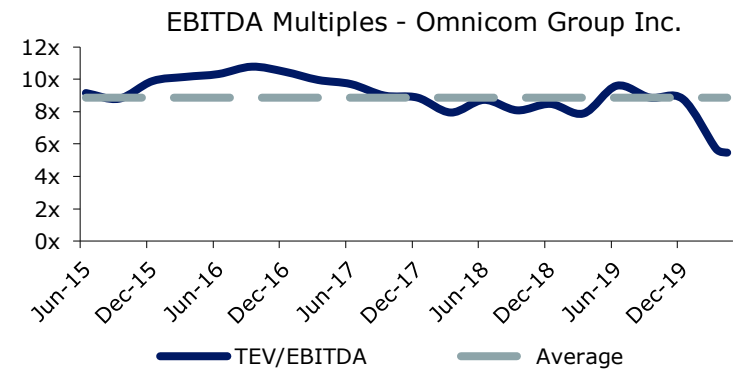
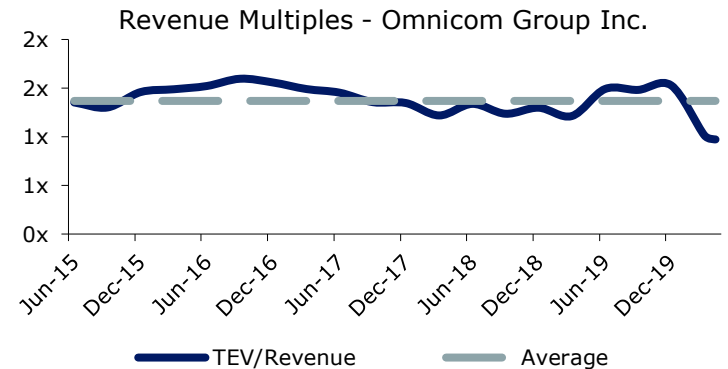
# Public Basket



## 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
7/17/19	Omnicom To Seek Acquisitions
9/12/18	Gryt Health and Omnicom Group Announce Strategic Partnership to Increase Collaboration and Innovation Between the Cancer Community and Industry
8/31/18	Webhelp SAS completed the acquisition of SELLBYTEL Group GmbH from Omnicom Group Inc. (NYSE:OMC).



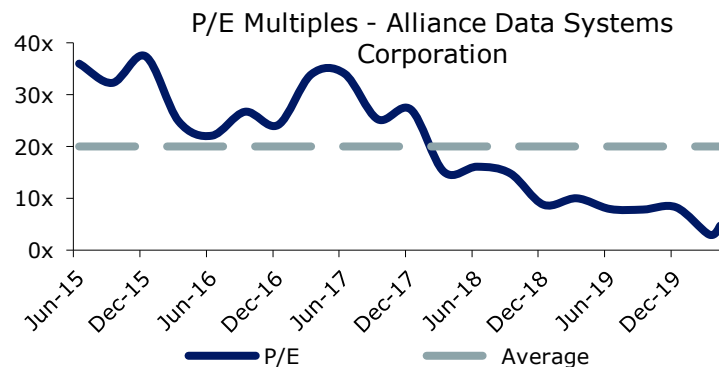
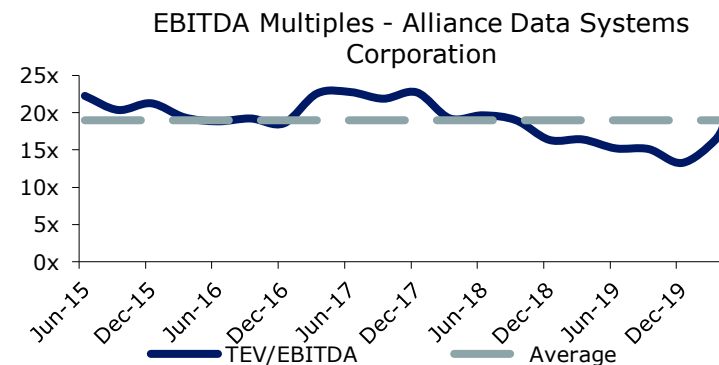
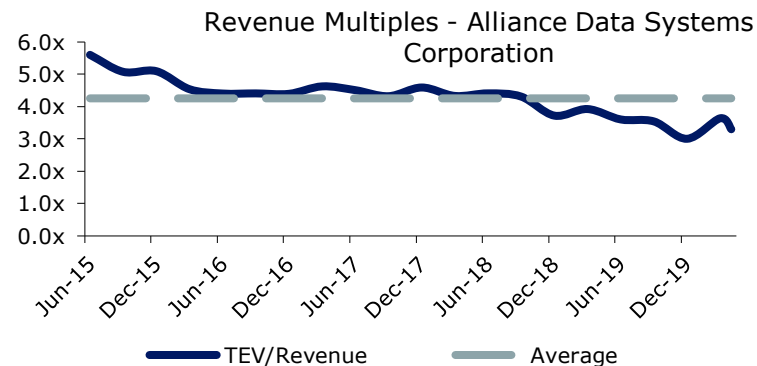
# Public Basket



## 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. Alliance Data Systems Corporation was founded in 1996 and is headquartered in Plano, Texas.

Date	Key Development Headline
6/30/19	MMS USA Investments, Inc. and Publicis Groupe Holdings B.V. completed the acquisition of Epsilon Data Management, LLC from Alliance Data Systems Corporation (NYSE:ADS), ADS Alliance Data Systems, Inc. and Alliance Data Lux Financing S.A R.L.
5/5/19	Alliance Data Systems Corporation (NYSE:ADS) acquired certain assets of blispay inc. for \$7.7 million.



# CONTACT INFO

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.

Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Tripp Davis, Partner	704.899.5762	tripp@7mileadvisors.com
Andy Johnston, Partner	704.899.5961	andy@7mileadvisors.com
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@7mileadvisors.com
Garth Martin, Vice President	704.973.3997	garth.martin@7mileadvisors.com
Ariail Barker, Director, Sales & Marketing	704.981.2908	ariail@7mileadvisors.com
Emily Halstenberg, Marketing & Sales Coordinator	704.409.9912	emily@7mileadvisors.com
Marty Johnson, Senior Associate	704.973.3999	marty@7mileadvisors.com
Sydney Scadden, Senior Associate	704.973.3998	sydney@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Daniel Kim, Associate	704.912.4584	daniel@7mileadvisors.com
Olufunke Abass, Associate	704.285.8171	olufunke@7mileadvisors.com
Robin Siegel, Analyst	704.490.4714	robin@7mileadvisors.com