

7 Mile Advisors



Sectorwatch: Digital Agency

August 2020



7MA

Digital Agency

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Overview

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally.

We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets.

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

DASHBOARD

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

PUBLIC BASKET PERFORMANCE

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

VALUATION COMPARISON

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

RECENT DEALS

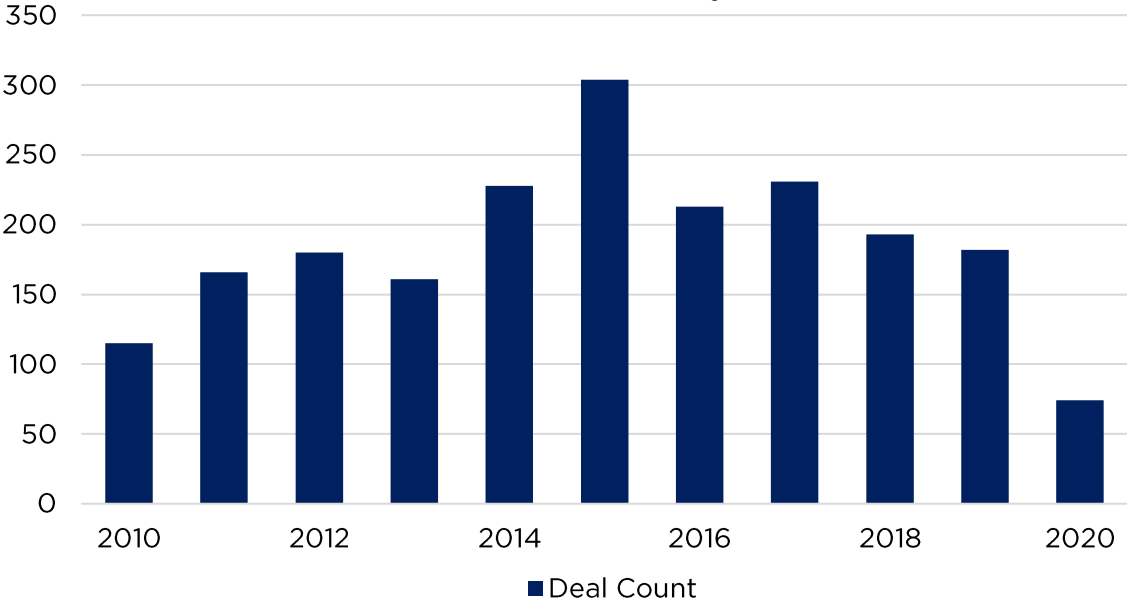
- The most recently announced deals in the sector

Dashboard

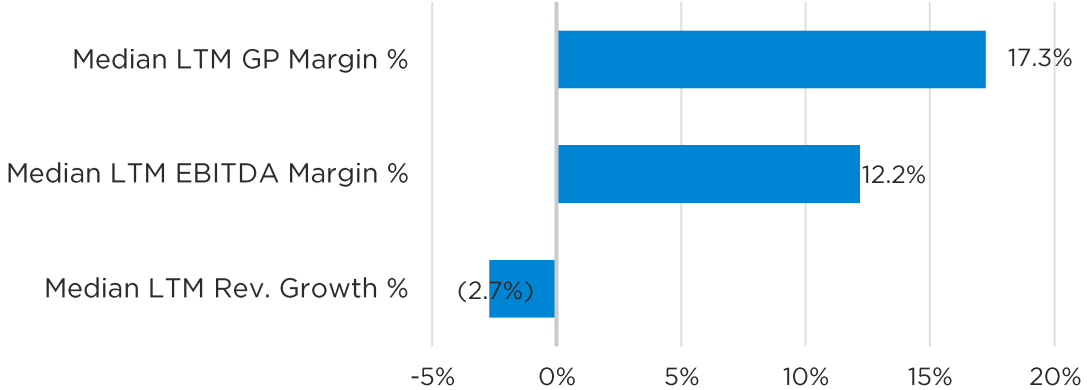
REVENUE GROWTH MOMENTUM ↓ -1.2%

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

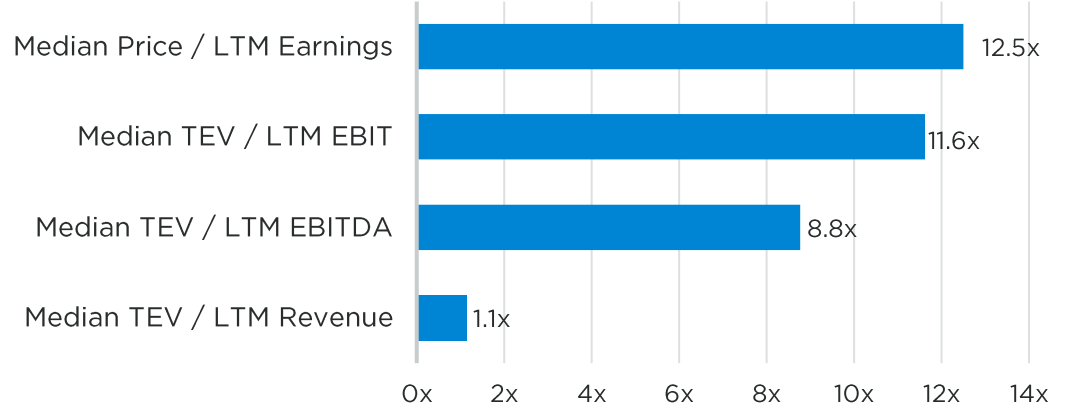
M&A Activity



Operating Metrics



Valuation



Public Basket Overview



United States



Japan



United Kingdom



France

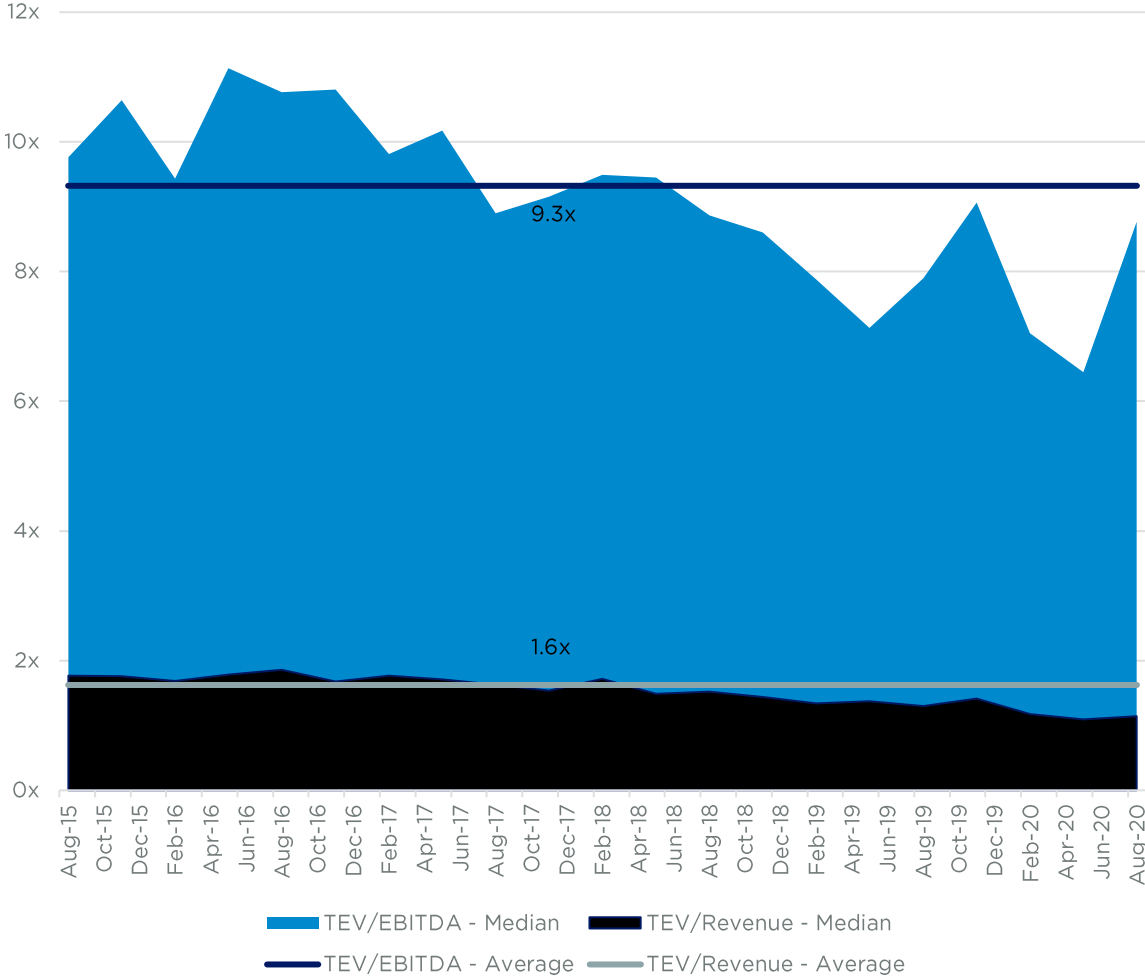


Public Basket

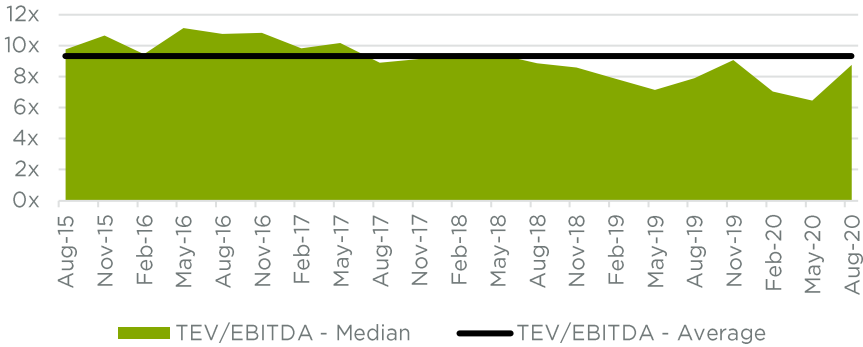
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Alliance Data Systems	5,790	1,120	5,260	-5.6%	54.7%	21.3%	1.1x	5.2x	8,500	619
Dentsu	10,071	896	9,337	-2.3%	89.0%	9.6%	1.1x	11.2x	66,400	141
The Interpublic Group of Companies	11,912	1,093	9,725	-3.1%	13.8%	11.2%	1.2x	10.9x	54,300	179
Publicis Groupe	14,275	1,718	12,617	13.0%	-	13.6%	1.1x	8.3x	83,235	152
Omnicom Group	16,085	1,835	13,973	-6.8%	15.7%	13.1%	1.2x	8.8x	70,000	200
WPP	17,136	-2,009	15,676	4.4%	17.3%	-12.8%	1.2x	-	101,000	155
Average	12,545	775	11,098	-0.1%	38.1%	9.3%	1.2x	8.9x	63,906	241
Median	13,094	1,106	11,171	-2.7%	17.3%	12.2%	1.1x	8.8x	68,200	167

share price as of 28Aug20

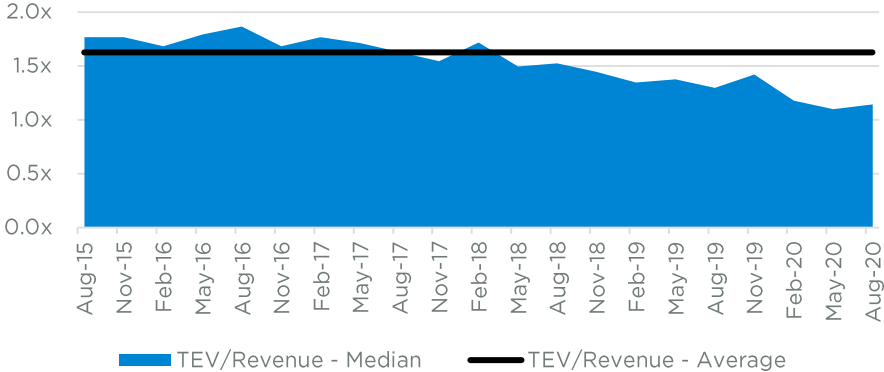
Public Basket



Public EBITDA Multiples over Time

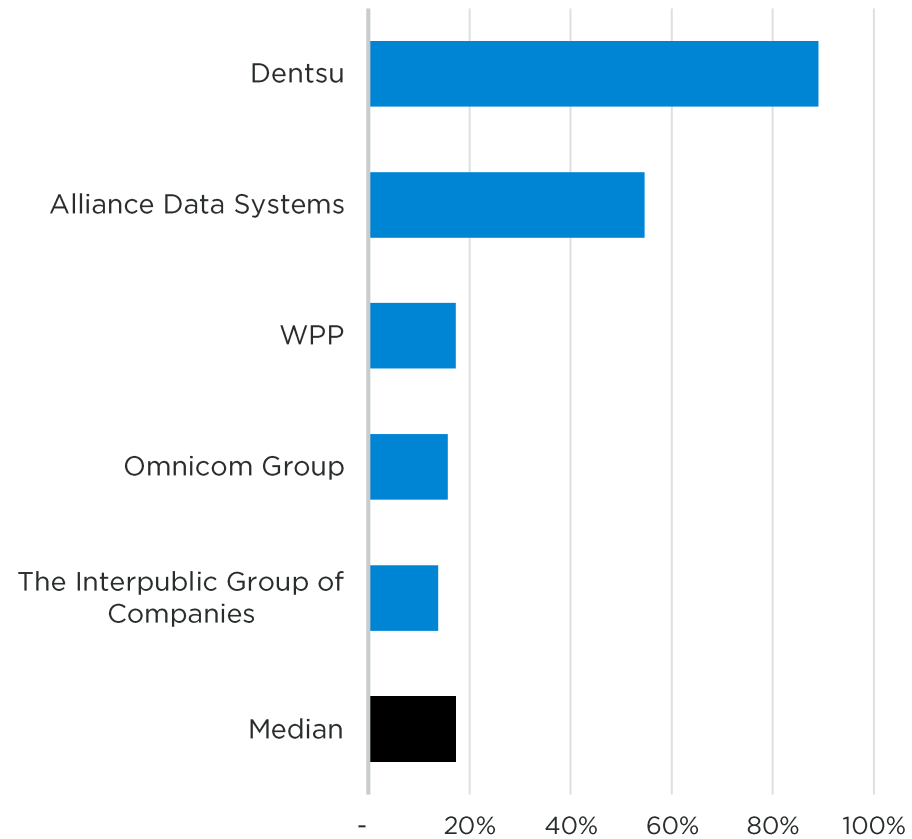


Public Revenue Multiples over Time

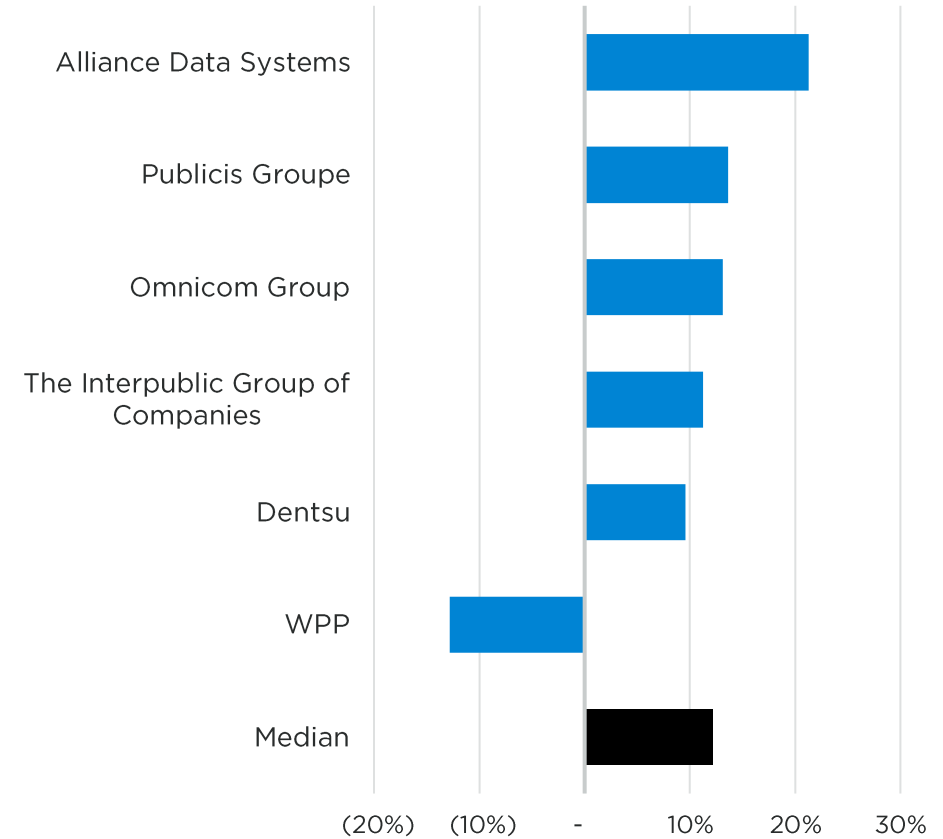


Operational Metrics

LTM Gross Profit Margin %

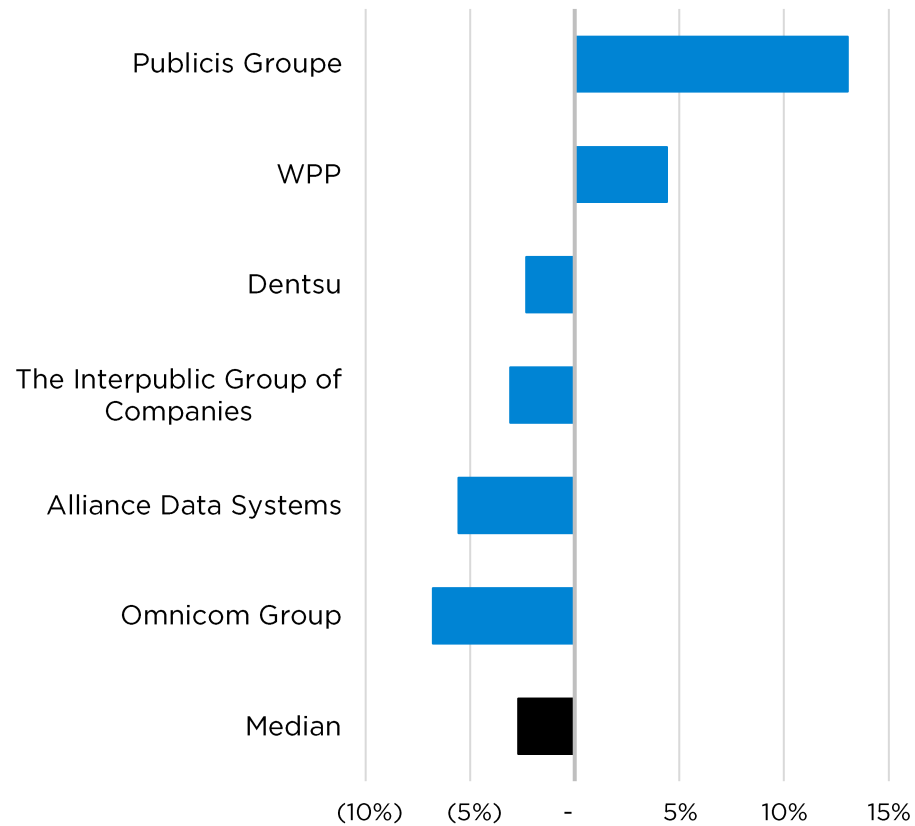


LTM EBITDA %

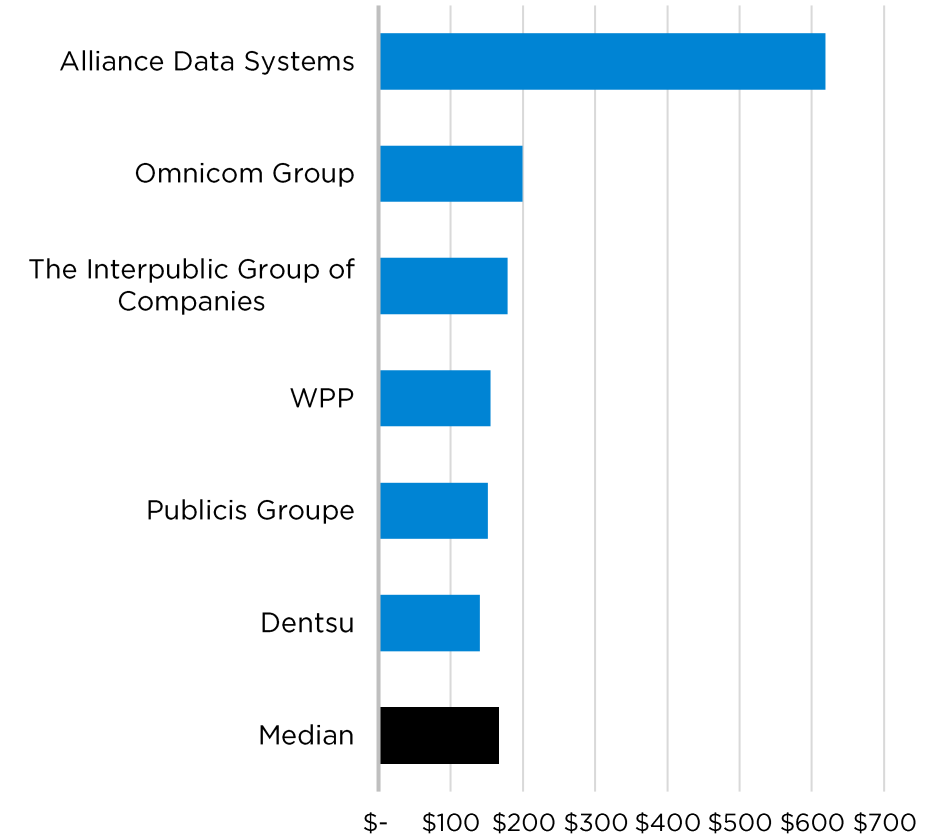


Operational Metrics

LTM Revenue Growth %

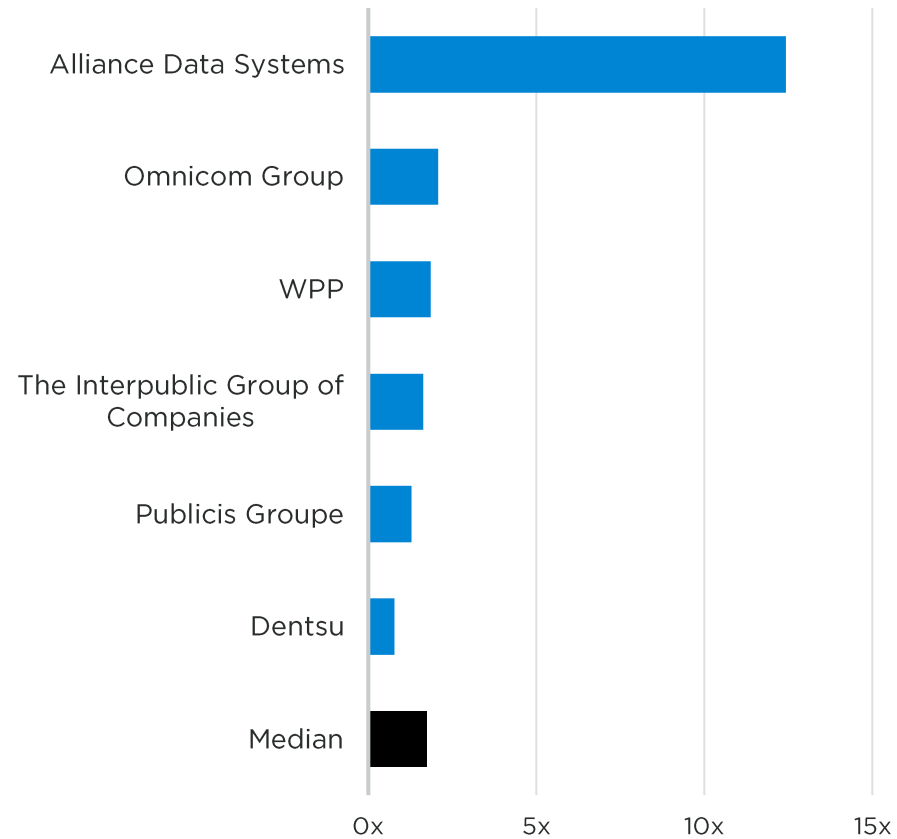


LTM Revenue per Full Time Employee x 000's

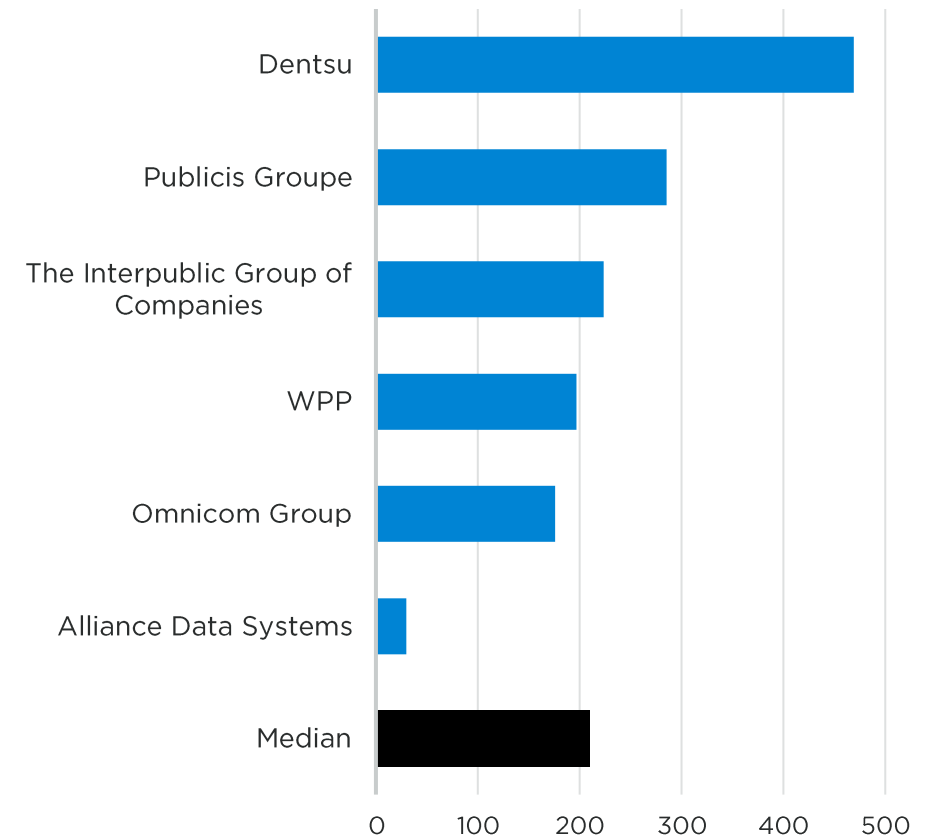


Operational Metrics

Accounts Receivable Turnover

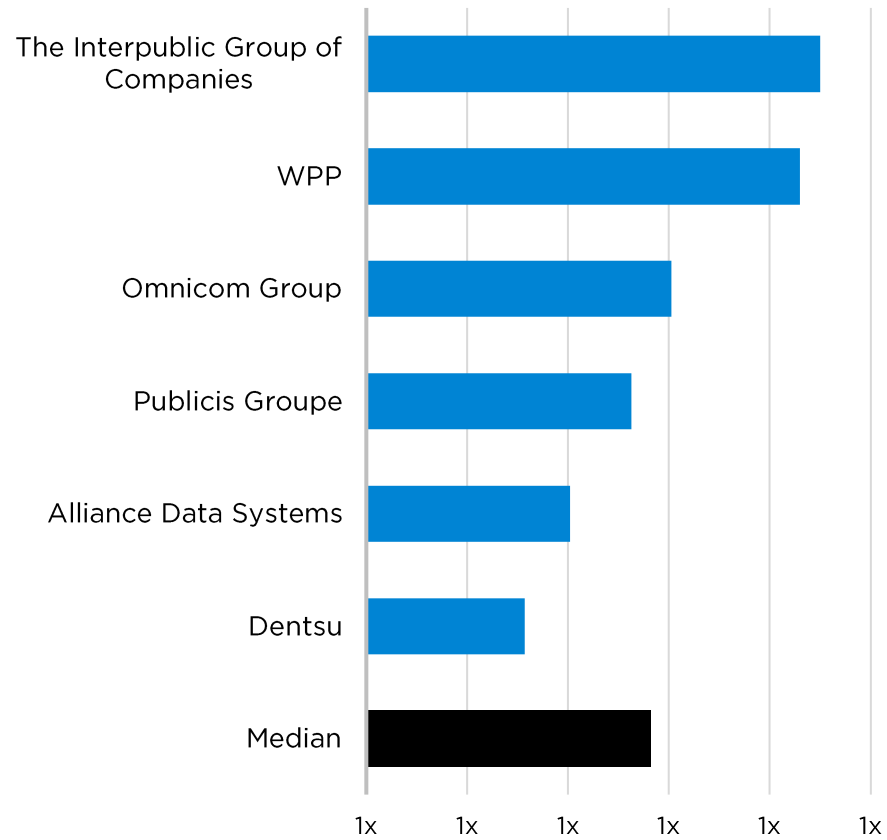


Average Days Sales Outstanding

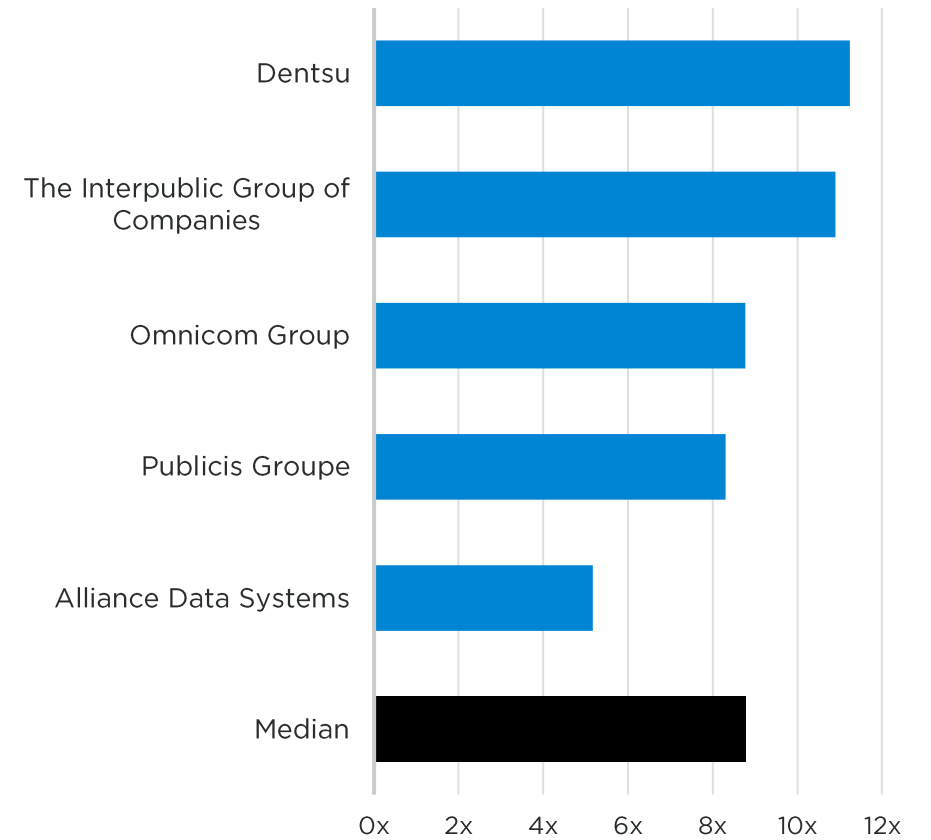


Valuation

TEV / LTM Revenue

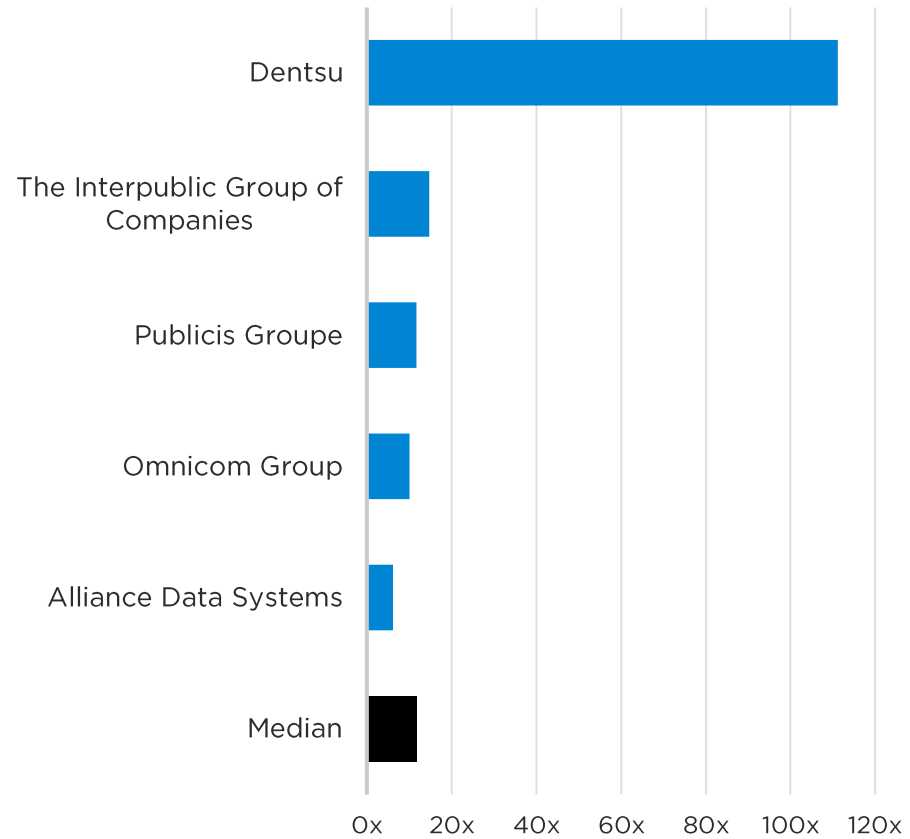


TEV / LTM EBITDA

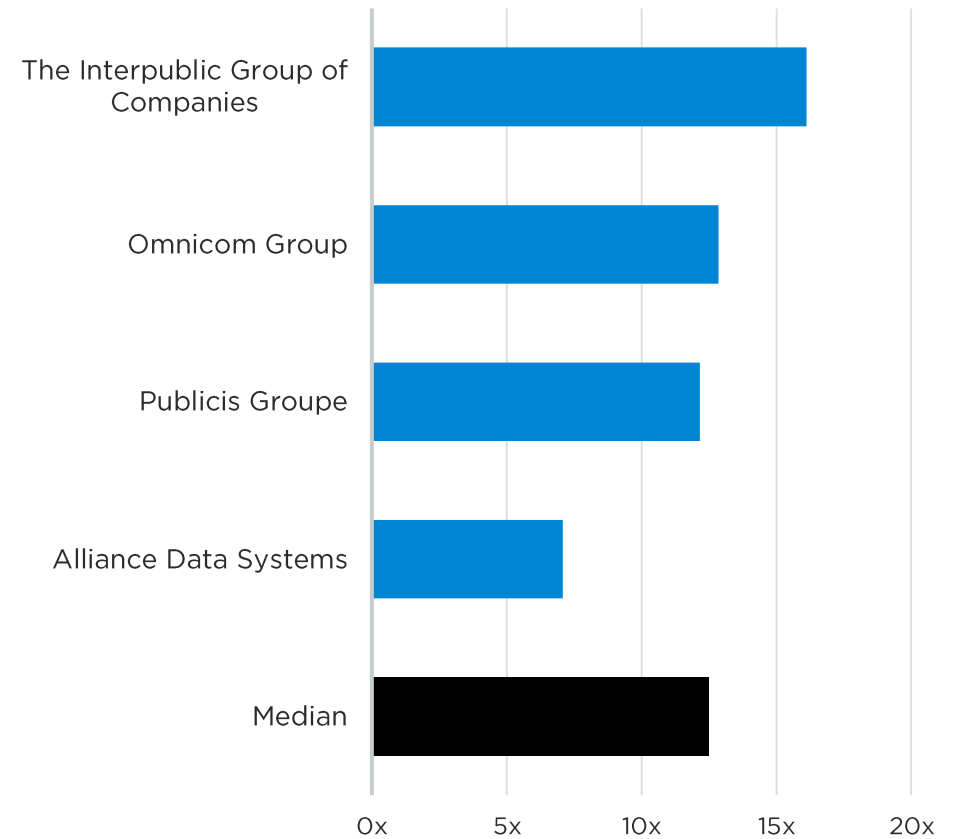


Valuation

TEV / LTM EBIT

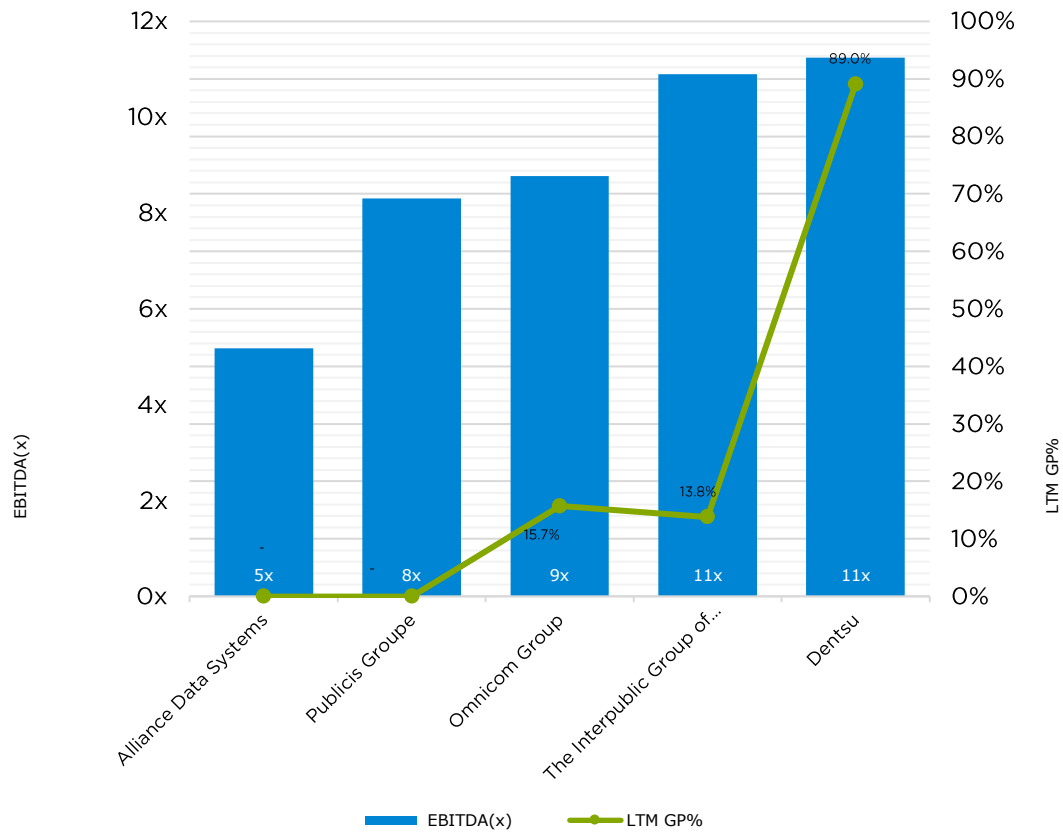


Price / LTM Earnings

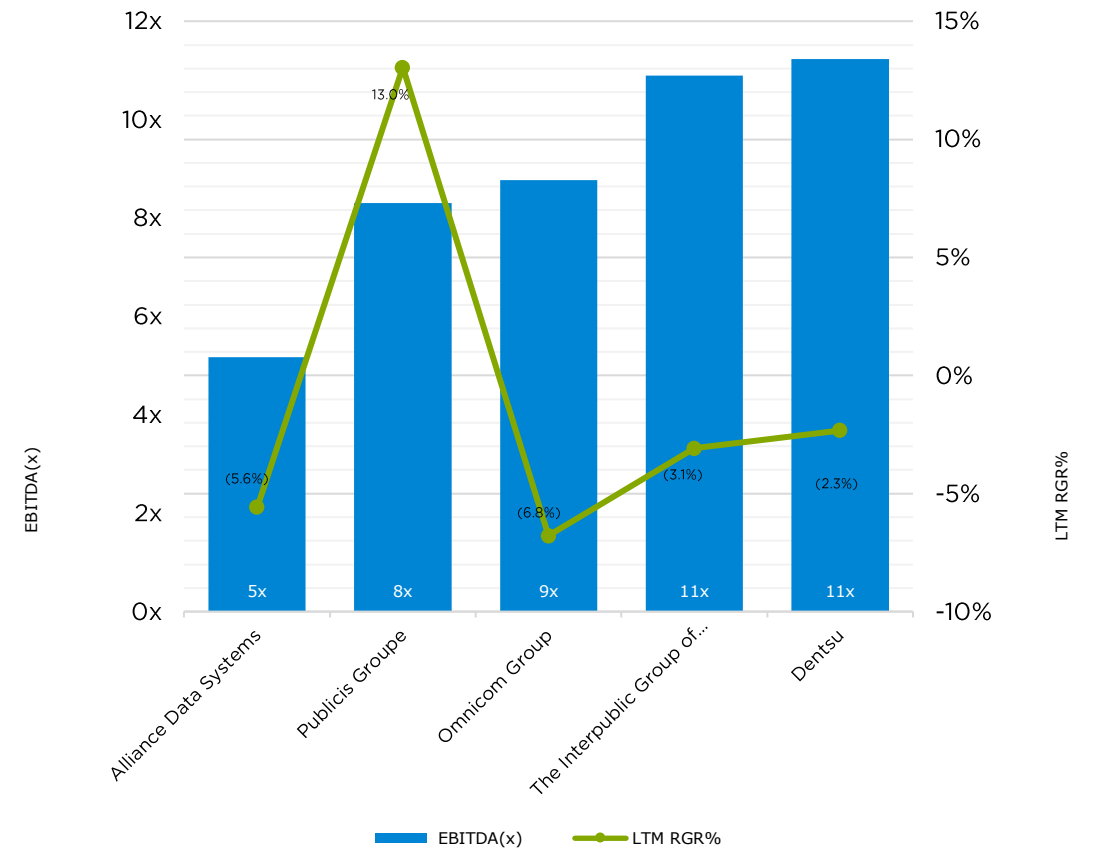


Valuation

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
25-Aug-20	Activate (New York)	Impact Tech	-	-	-	-
10-Aug-20	Zmags	-	5.25	-	-	-
06-Aug-20	Collectively	You & Mr Jones	-	-	-	-
06-Aug-20	R2B2	Genesis Capital	-	-	-	-
28-Jul-20	Chocolate	FreeStar	-	-	-	-
13-Jul-20	Platform161	Media and Games Invest	-	-	-	-
07-Jul-20	Diginius	Champions UK	0.62	-	-	-
03-Jul-20	zulu5	Audienz	-	-	-	-
29-Jun-20	Miller Media	CloudAccess.net	-	-	-	-
24-Jun-20	Ksubaka	UST Global	-	-	-	-
05-Jun-20	Fast Approach	Planet Green Holdings	-	-	-	-
03-Jun-20	Vincodo	HomeServe USA	-	-	-	-
03-Jun-20	We Adapt	Bynder	-	-	-	-
28-May-20	Skimlinks	Connexity	-	-	-	-
28-May-20	Suggestv	Viqeo	-	-	-	-
21-May-20	Tiny Horse	Whistle Sports	30.00	-	-	-
12-May-20	Denim Social	-	-	-	-	-
11-May-20	Publicist	-	-	-	-	-
07-May-20	HYPR Brands	Julius	-	-	-	-
01-May-20	Inside Response	Brookside Equity Partners	65.00	-	-	-
22-Apr-20	AdStage	Boathouse Capital	-	-	-	-
20-Apr-20	Tubi TV	Fox Corporation	440.00	-	-	-
15-Apr-20	MediaGamma	Beeswax	-	-	-	-
08-Apr-20	Nano Interactive	Clydesdale Yorkshire Bank	6.71	-	-	-
01-Apr-20	Telaria	Rubicon Project	-	68.06	-0.80	19.21
30-Mar-20	Beintoo	Publitalia '80	-	-	-	-
17-Mar-20	WebKite	dealer venom	-	-	-	-
05-Mar-20	Continuum Media	-	-	-	-	-
05-Mar-20	QDQ Group	AS Equity Partners	-	-	-	-

Appendix

*Public Basket
Contact Information*



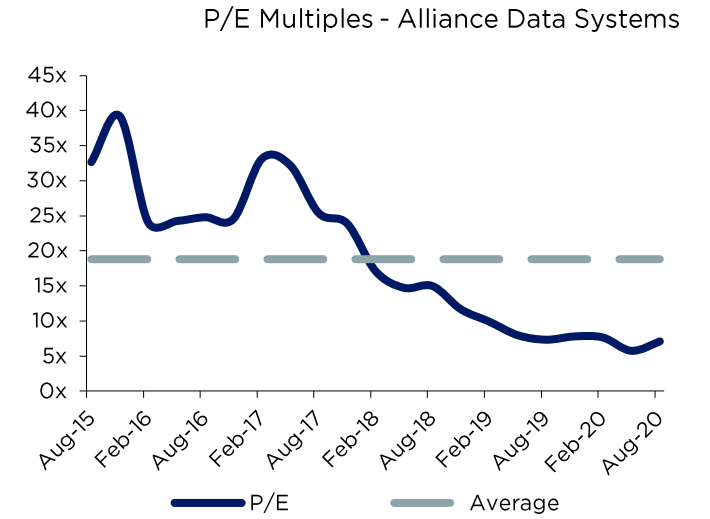
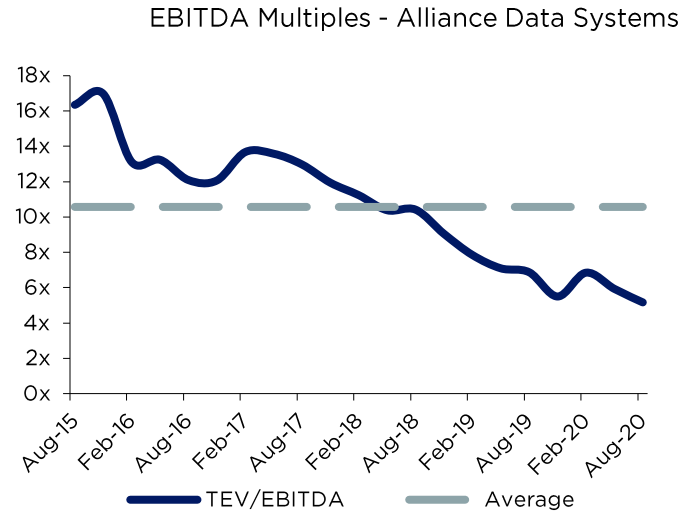
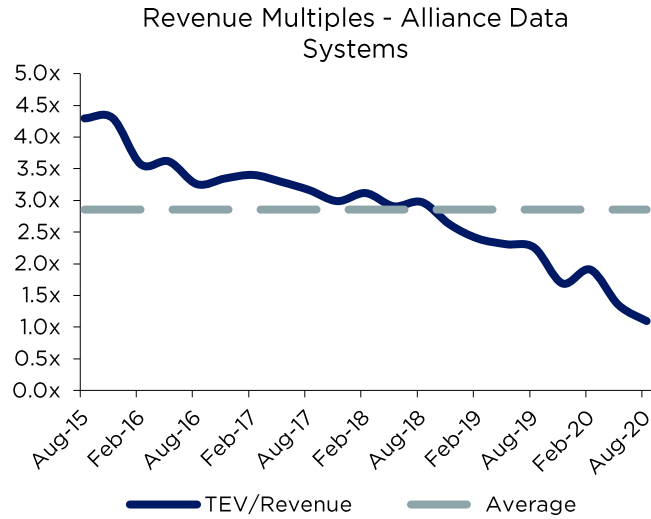
Alliance Data Systems

Alliance Data Systems was born of the 1996 combination of a J.C.

Penney transaction-processing operation and The Limited's credit card bank business. With headquarters in Plano, Texas, Alliance provides marketing, loyalty program, and private-label credit card services. The company is known for its large Air Miles loyalty program in Canada. The private-label services and credit group is financially the company's most important operating segment.

Public Basket

Alliance Data Systems



Company Name	Date	Deal Synopsis
Blispay	07-Feb-19	The company was acquired by Alliance Data Systems (NYS: ADS) for \$7.7 million on February 7, 2019.
Signet Jewelers (prime-only credit quality accounts)	20-Oct-17	The prime-only credit quality accounts of Signet Jewelers (NYSE: SIG) was acquired by Alliance Data Systems (NYSE: ADS) for \$945.6 million on October 20, 2017.

Dentsu

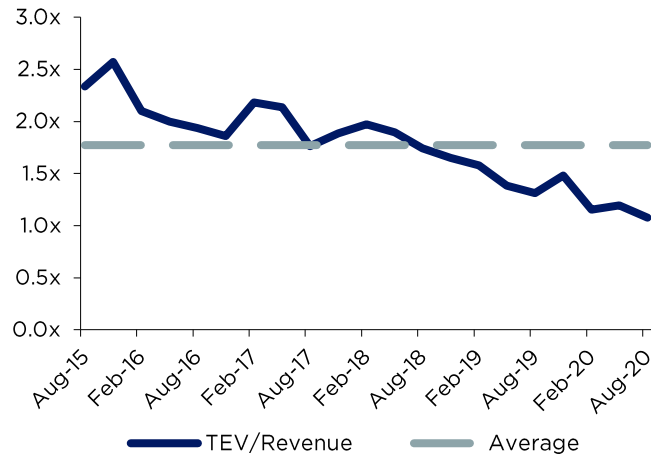
Dentsu Group Inc is a Japanese international advertising and public relations company that provides communication-related solutions and services such as management and business consulting.

Dentsu is one of the world's largest advertising agencies. The company operates through its nine global network brands--Carat, Dentsu, Dentsu media, iProspect, Isobar, mcgarrybowen, MKTG, Posterscope and Vizeum--as well as through its specialist/multi-market brands. It is also active in the production and marketing of sports and entertainment content on a global scale. The company earns a majority of its revenue in Japan, followed by Europe and the Americas, while operating in over 100 countries around the world.

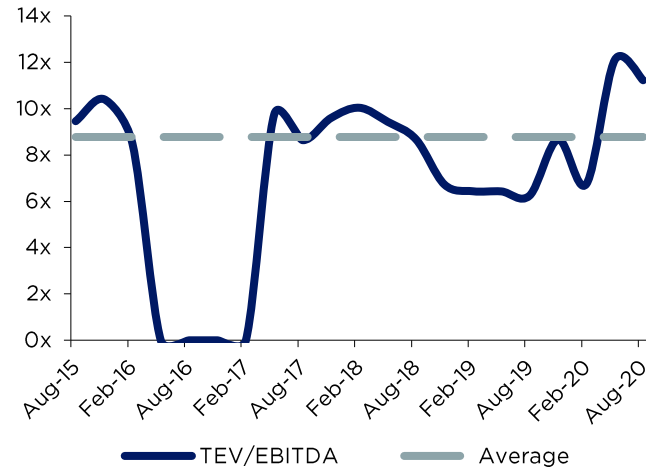
Public Basket

Dentsu

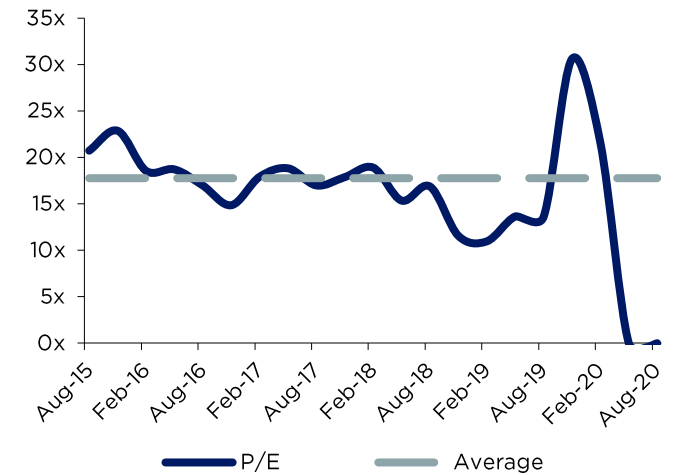
Revenue Multiples - Dentsu



EBITDA Multiples - Dentsu



P/E Multiples - Dentsu



Company Name

Date

Deal Synopsis

SmartNews

18-Nov-19

The company raised \$92 million of Series E venture funding in a deal led by Japan Post Capital and ACA Investments on November 18, 2019, putting the company's pre-money valuation at \$1.11 billion. Development Bank of Japan, Dentsu, SMBC Venture Capital, Globis Capital Partners, Japan Co-Invest Limited Partnership and D.A.Consortium also participated in the round. The funds will be used to continue the expansion of the company's global engineering teams for mobile, backend and machine learning development, accelerating the growth in the U.S. and worldwide.

Botify

05-Nov-19

The company joined Fast-Track on November 5, 2019 and received \$300,000 in funding. Concurrently, Dentsu invested in the company. The funding was received in the form of grant.

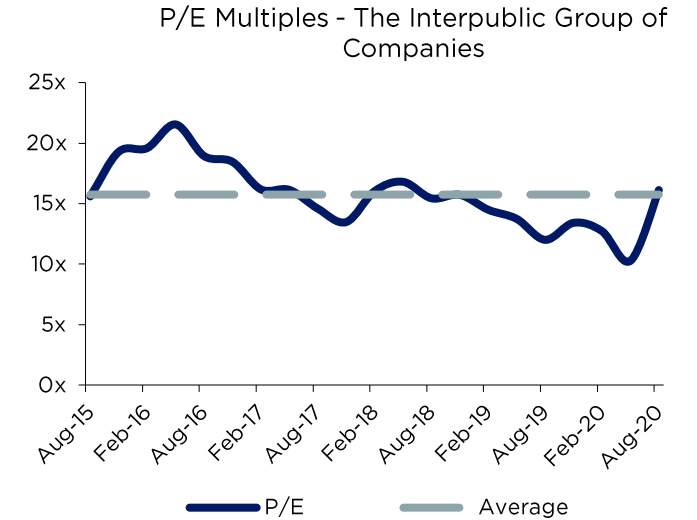
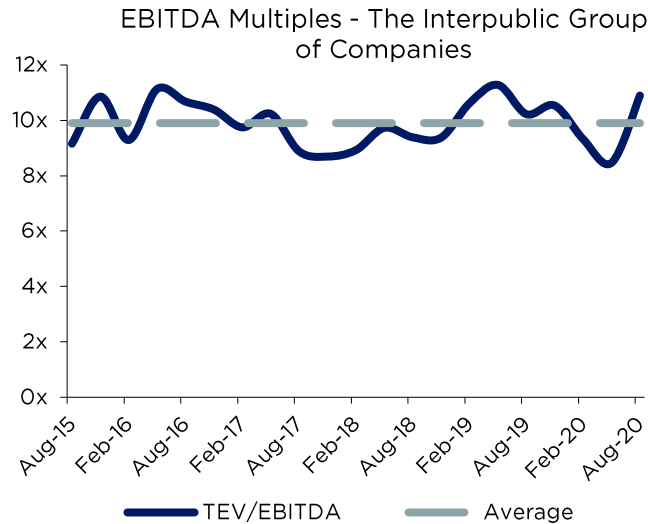
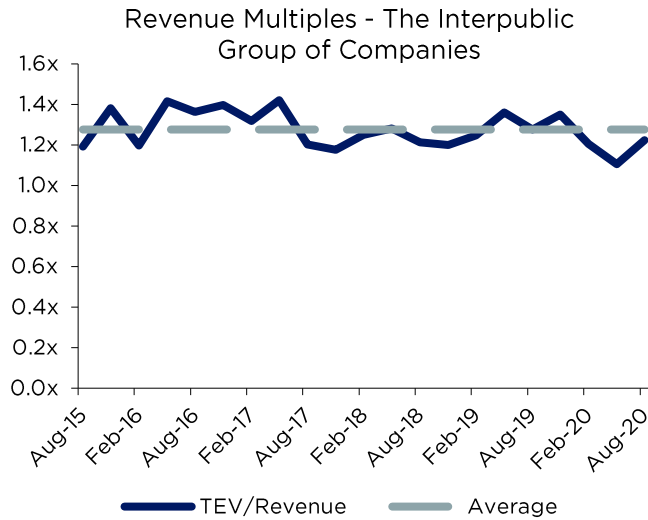
The Interpublic Group of Companies

Interpublic Group is the world's fourth- largest ad holding company, based on annual revenue.

It provides traditional advertising services along with digital and other services such as public relations through various acquisitions. IPG has made these services available in over 100 countries. The company generates more than 75% of its revenue from developed regions such as the United States and Europe.

Public Basket

The Interpublic Group of Companies



Company Name	Date	Deal Synopsis
Acxiom	01-Oct-18	Acxiom, a division of LiveRamp Holdings was acquired by The Interpublic Group of Companies (NYS: IPG) for \$2.32 billion on October 1, 2018. The deal brings together IPG's media, creative, marketing services and analytics capabilities, global scale and consumer insights, with the company's unrivalled expertise in identity, data, integrations and data stewardship.
Acxiom (Marketing Solutions Division)	01-Oct-18	The Marketing Solutions unit of Acxiom (NASDAQ: ACXM) was acquired by The Interpublic Group of Companies (NYSE: IPG) for \$2.32 billion on October 1, 2018. The acquirer has a fully committed \$2.3 billion bridge facility and expects to obtain long-term financing to fund the transaction in the debt capital markets before closing. The acquisition enables IPG to better compete in an industry where clients increasingly expect advertising companies to offer data-driven insights.

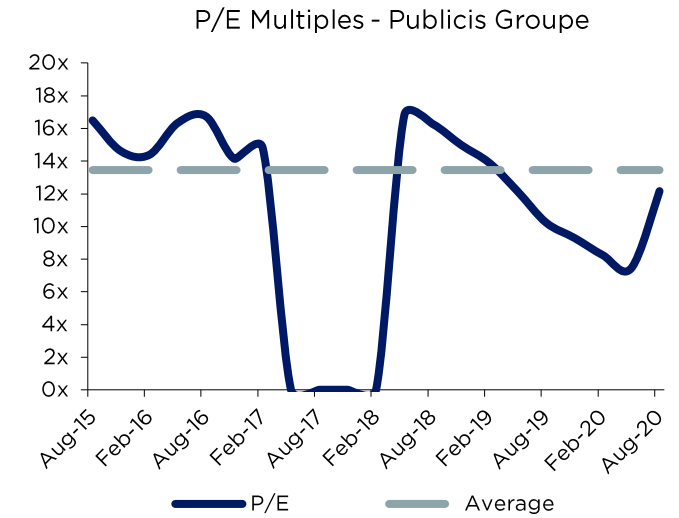
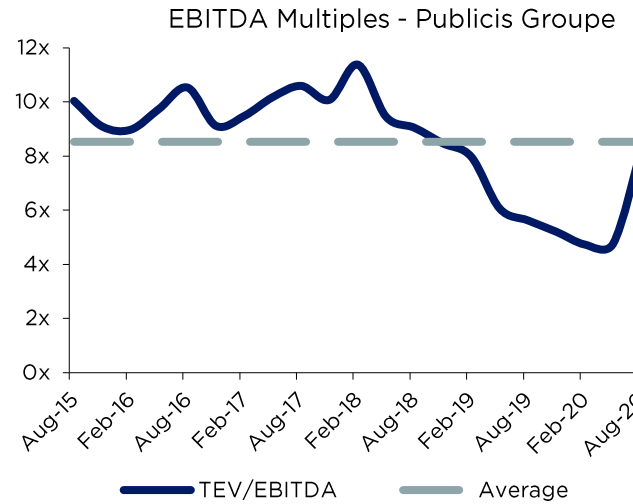
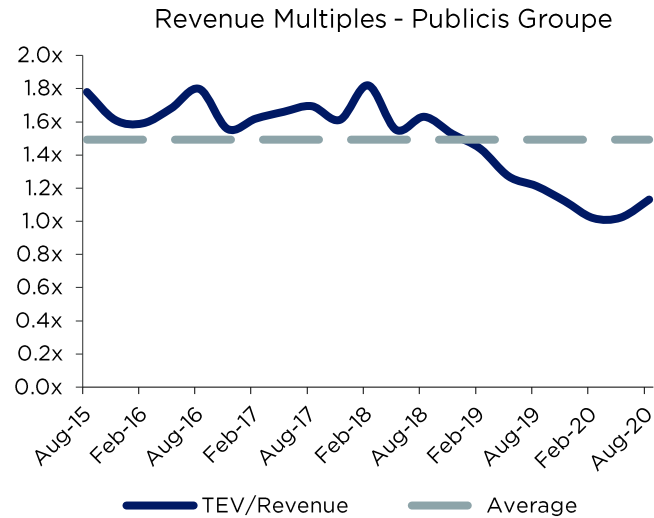
Publicis Groupe

Founded in 1926 and headquartered in France, Publicis is the world's third- largest ad holding company based on revenue.

Publicis' services, which include traditional and digital advertising, public relations, and consulting, are provided worldwide, with over 80% of its revenue coming from more developed regions such as North America and Europe.

Public Basket

Publicis Groupe



Company Name

Date

Deal Synopsis

Rauxa

18-Aug-19

The company was acquired by Publicis Groupe (PAR: PUB) for an undisclosed amount on August 18, 2019. The acquisition complements Publicis Groupe's expertise in delivering data-driven creativity offerings in the US, specifically across CRM and personalized creative.

McCready Bale Media

31-Jul-19

The company was acquired by Publicis Groupe (PAR: PUB) for an undisclosed amount on July 31, 2019. The acquisition enables Publicis to bolster its presence in the New Zealand market.

Omnicom Group

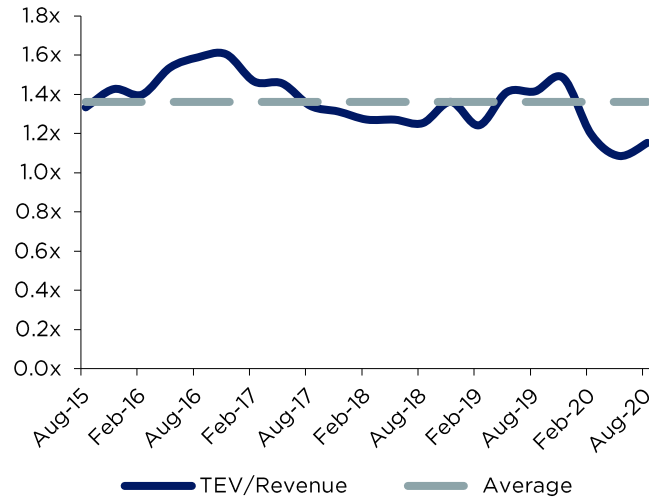
Omnicom is the world's second- largest ad holding company, based on annual revenue.

The American firm's services, which include traditional and digital advertising and public relations, are provided worldwide, with over 85% of its revenue coming from more developed regions such as North America and Europe.

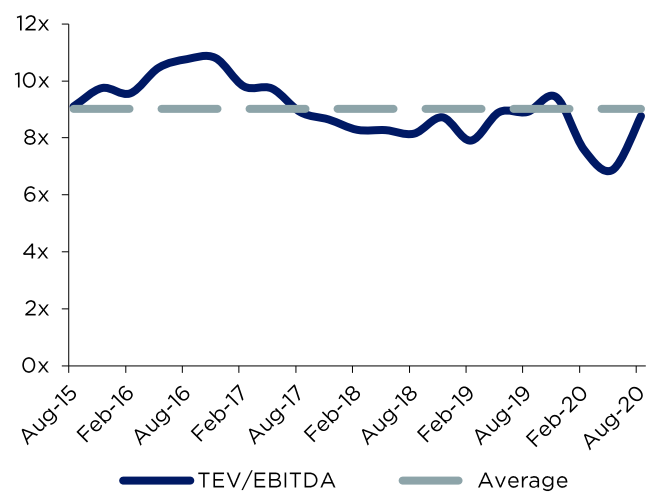
Public Basket

Omnicom Group

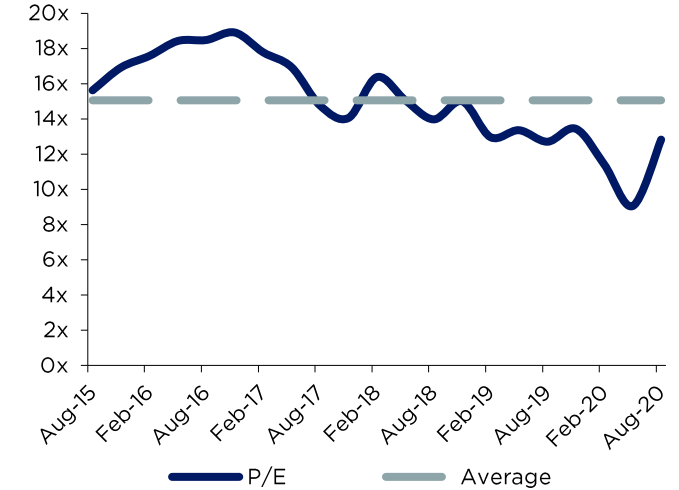
Revenue Multiples - Omnicom Group



EBITDA Multiples - Omnicom Group



P/E Multiples - Omnicom Group



Company Name

Date

Deal Synopsis

Smart Digital

26-Sep-19

The company was acquired by Omnicom Group (NYS: OMC), through its subsidiary Omnicom Precision Marketing Group, for an undisclosed amount on September 26, 2019. The acquisition will enable Omnicom Group (NYS: OMC) to be better at delivering powerful end-to-end customer experience solutions by the strengthening of their AI and personalization capabilities.

Credera

02-Aug-18

The company was acquired by Omnicom Group (NYS: OMC) for an undisclosed amount on August 2, 2018. The acquisition will enable Omnicom Group to strengthen its management and IT consulting capabilities.

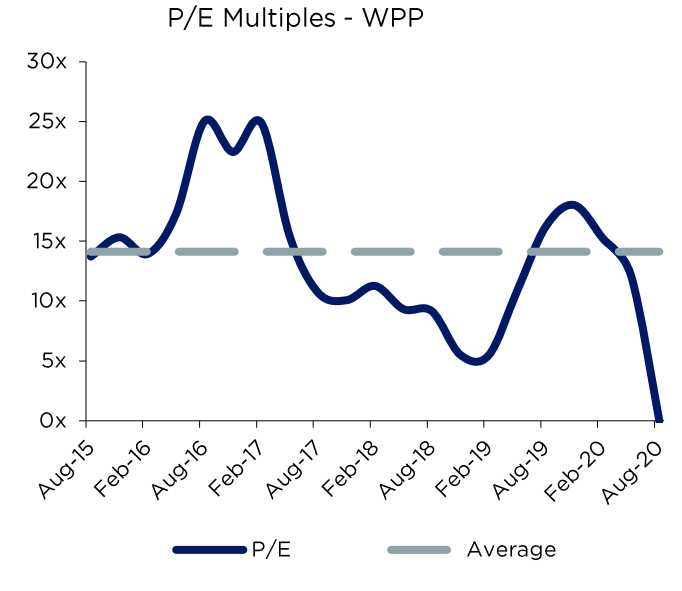
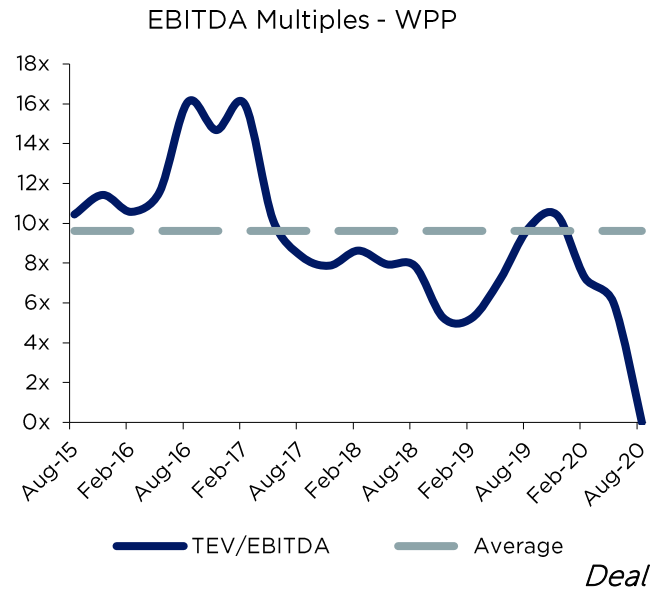
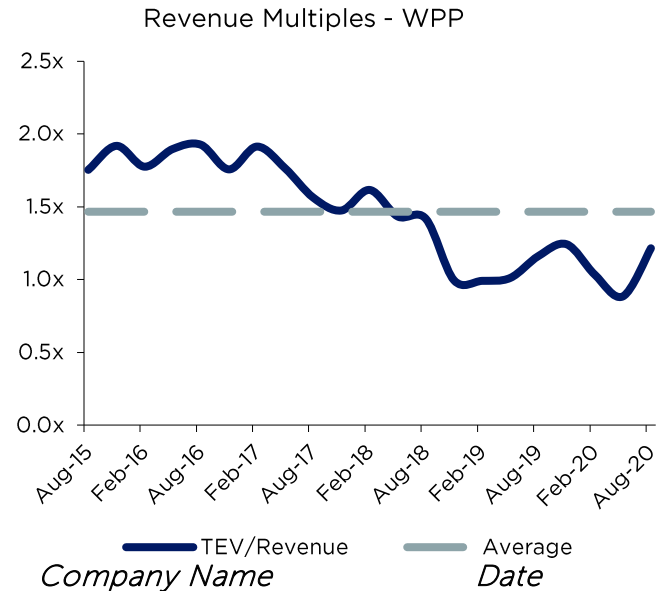
WPP

Headquartered in the U.K., WPP is the world's largest ad holding company, based on annual

WPP's services, which include traditional and digital advertising, public relations, and consulting, are provided worldwide, with over 70% of its revenue coming from more developed regions such as the North America, U.K., and Western Europe.

Public Basket

WPP



Sandtable

05-Mar-20

The company was acquired by WPP (LON: WPP) for an undisclosed amount on March 5, 2020. The acquisition is in line with WPP's strategy to deepen its technology offer by further strengthening its investment and innovation in data science.

The&Partnership

12-Feb-20

The company was acquired by WPP (LON: WPP) for approximately GBP 30 million from Mr. Johnny Hornby and other senior members on February 12, 2020. With this acquisition WPP will in future be allocated a larger part of the agency's profits.

Contact Info

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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
John Cooper, Managing Director	704.973.3996	john@7mileadvisors.com
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Ariail Barker, Director, Sales & Marketing	704.981.2908	ariail@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Garth Martin, Vice President	704.973.3997	garth.martin@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@7mileadvisors.com
Ben Bruggeworth, Vice President, Business Development	704.365.8859	ben.bruggeworth@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
Robin Siegel, Analyst	704.285.8173	robin@7mileadvisors.com