

7 Mile Advisors



Sectorwatch: Digital Agency

February 2021



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

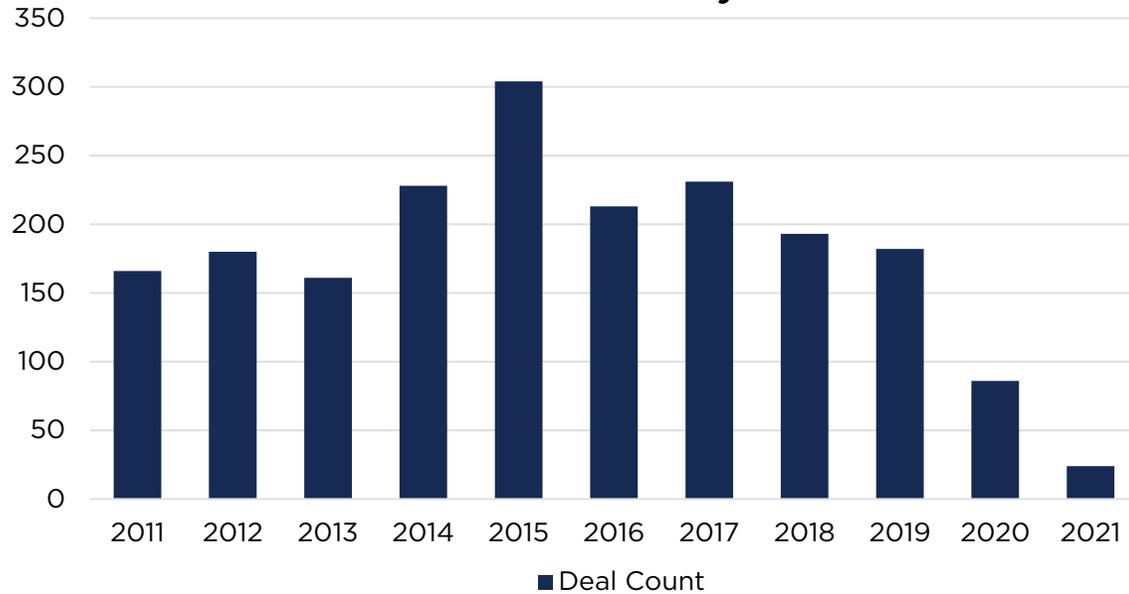
- The most recently announced deals in the sector

Dashboard

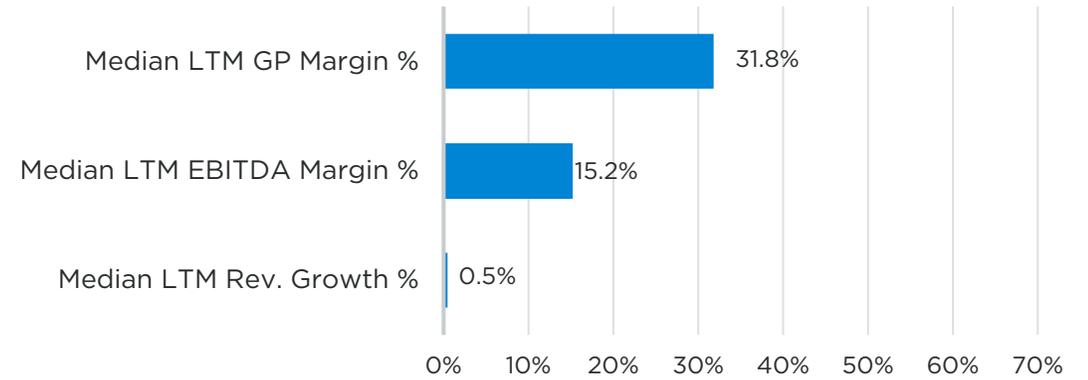
REVENUE GROWTH MOMENTUM ↑ 2.0%

1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

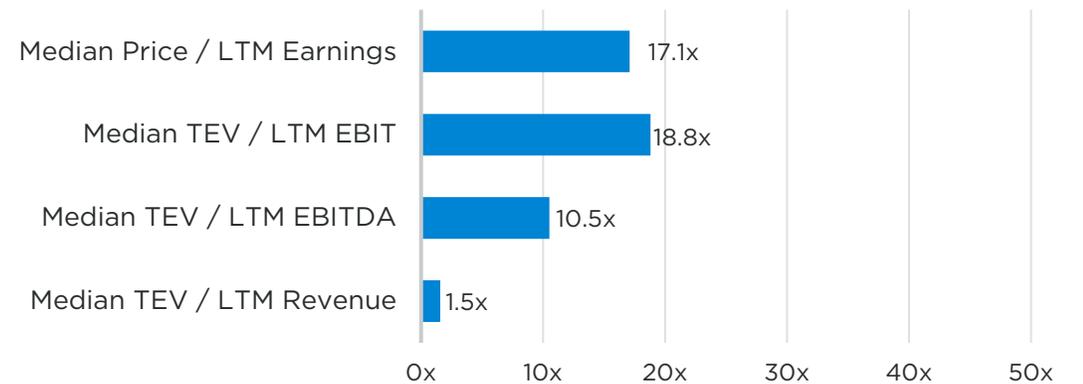
M&A Activity



Operating Metrics



Valuation



Public Basket Overview



United States

OmnicomGroup



Europe

accenture >
KIN+CARTA SQLI
DIGITAL
EXPERIENCE



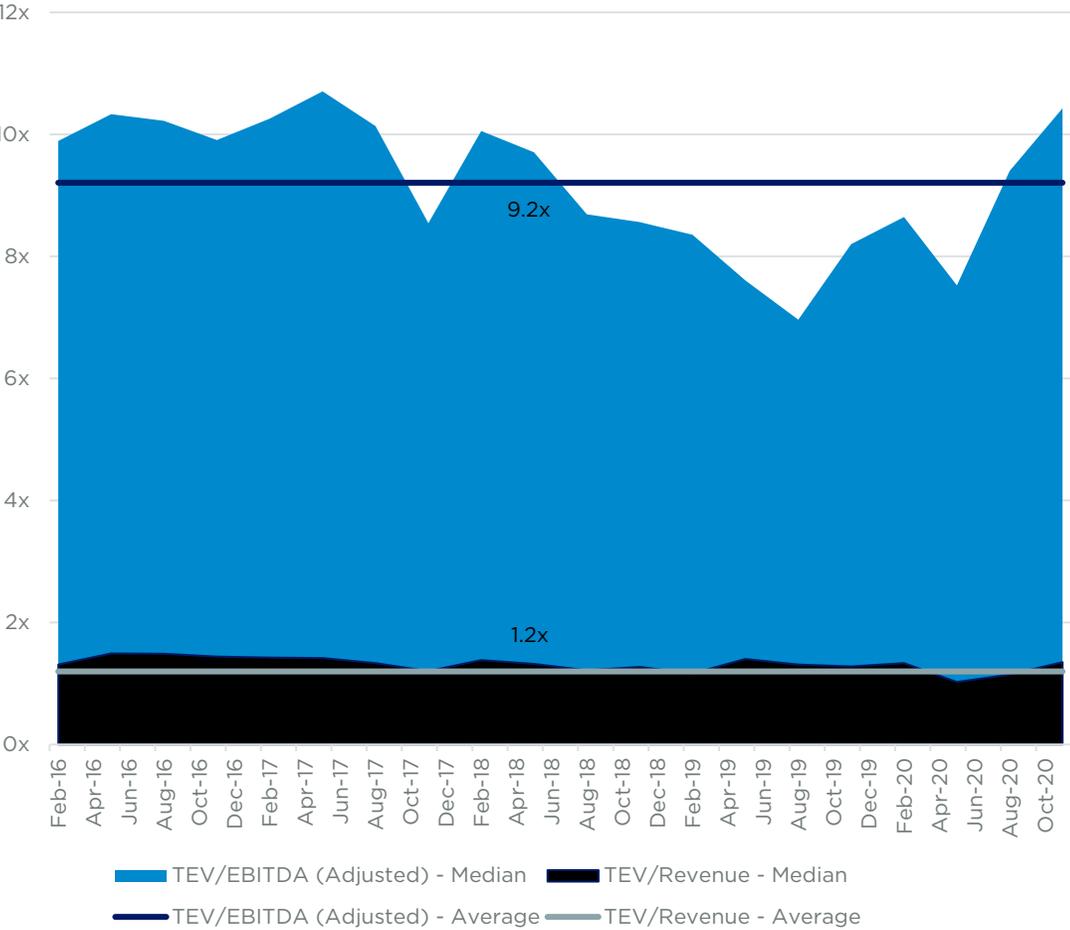
Asia

dentsu
group

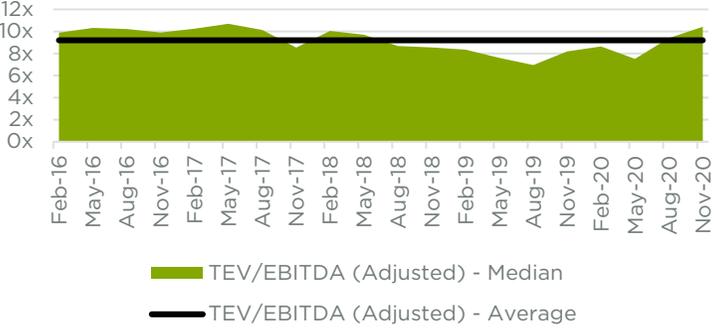
Public Basket

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Accenture	165,630	6,807	44,730	1.7%	31.8%	15.2%	3.7x	24.3x	514,000	87
WPP	21,219	2,487	15,674	4.4%	17.3%	15.9%	1.4x	8.5x	101,000	155
Publicis Groupe	19,952	1,933	12,619	13.0%	-	15.3%	1.6x	10.3x	80,787	156
Omnicom Group	18,591	2,069	13,555	-9.0%	16.3%	15.3%	1.4x	9.0x	70,000	194
The Interpublic Group of Companies	13,868	1,295	9,413	-7.5%	14.4%	13.8%	1.5x	10.7x	54,300	173
Dentsu	13,842	1,752	9,065	-6.0%	88.7%	19.3%	1.5x	7.9x	66,400	137
S4 Capital	3,908	62	338	-	83.8%	18.4%	11.6x	62.9x	2,650	128
Kin + Carta	423	24	174	0.5%	48.8%	13.9%	2.4x	17.5x	1,285	135
PFSweb	222	10	322	6.6%	25.5%	3.2%	0.7x	21.6x	1,800	179
SQLI	171	27	250	-5.4%	52.2%	10.8%	0.7x	6.3x	2,161	116
Average	25,783	1,647	10,614	-0.2%	42.1%	14.1%	2.6x	17.9x	89,438	146
Median	13,855	1,524	9,239	0.5%	31.8%	15.2%	1.5x	10.5x	60,350	146

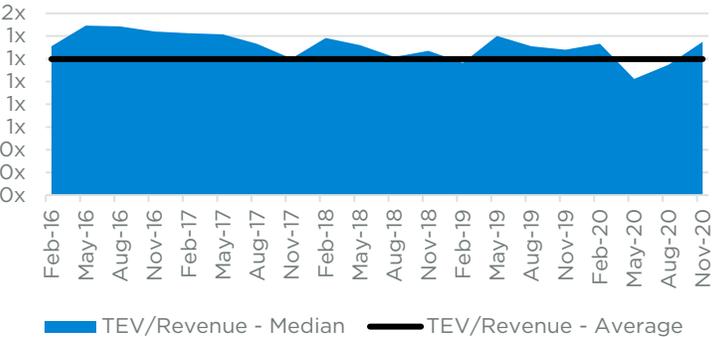
Public Basket



Public EBITDA Multiples over Time

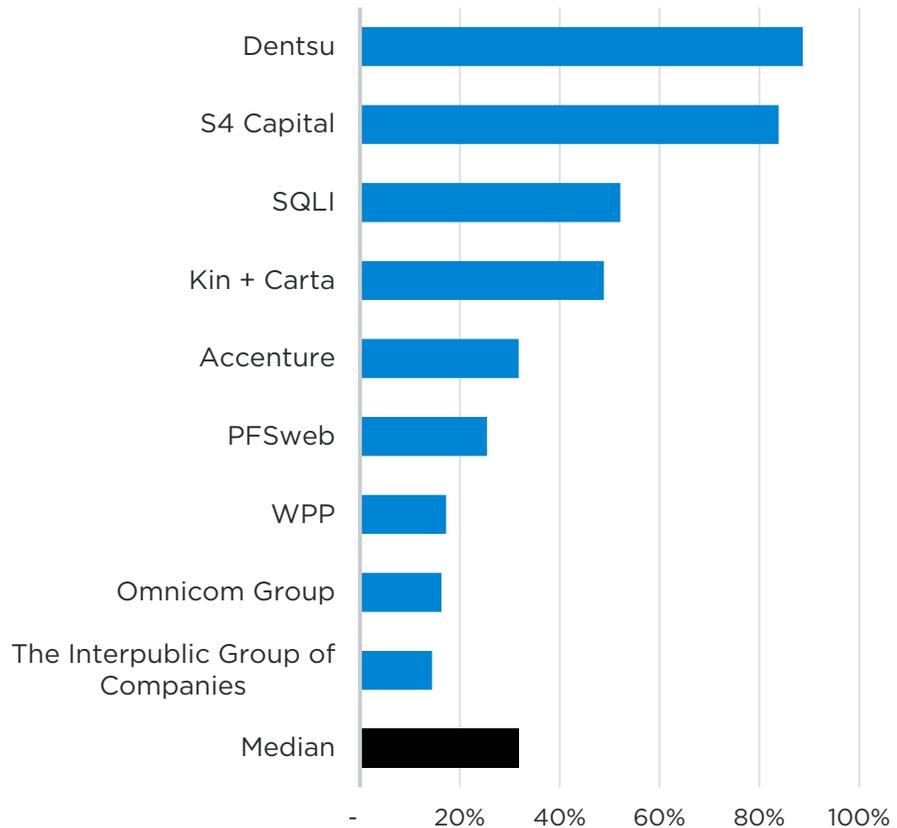


Public Revenue Multiples over Time

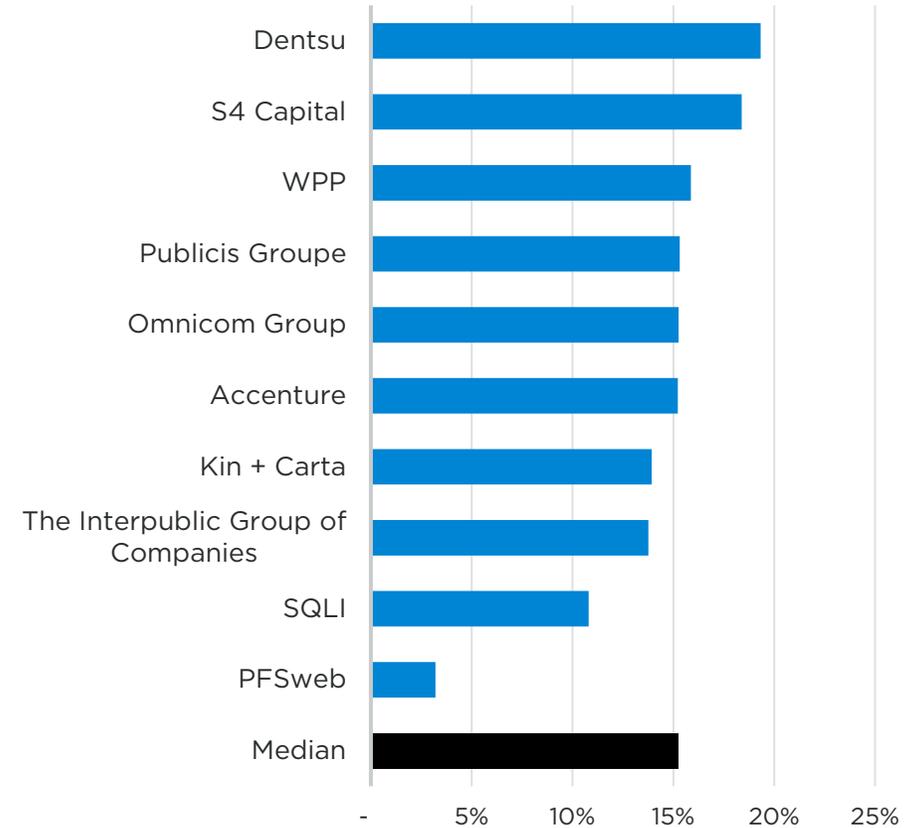


Operational Metrics

LTM Gross Profit Margin %

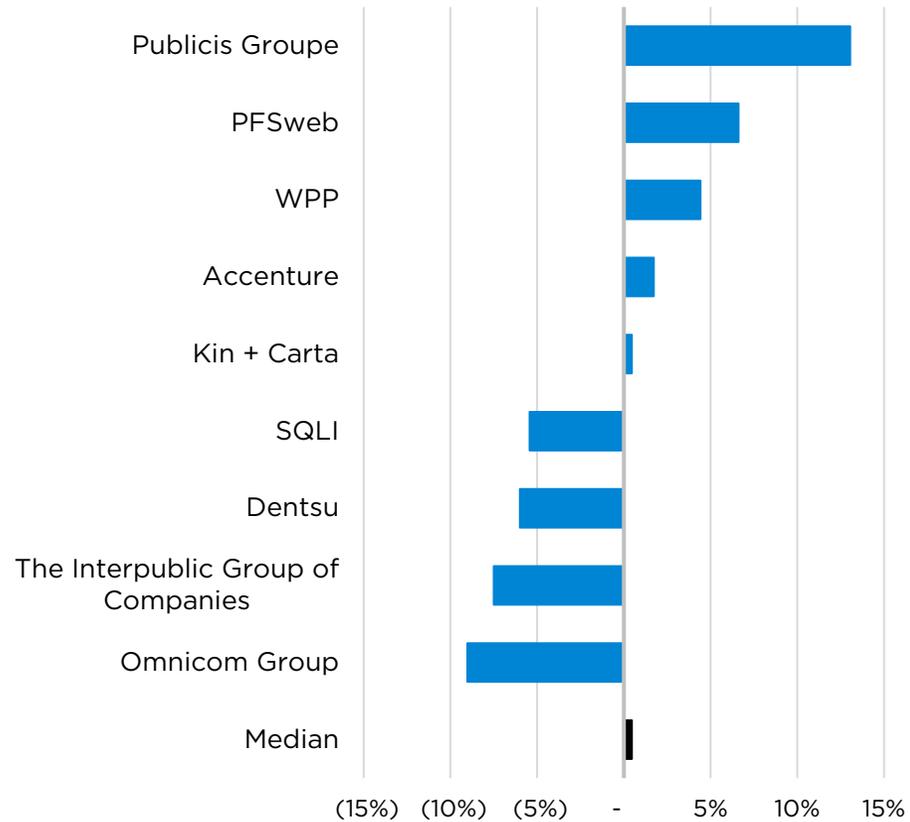


LTM EBITDA %

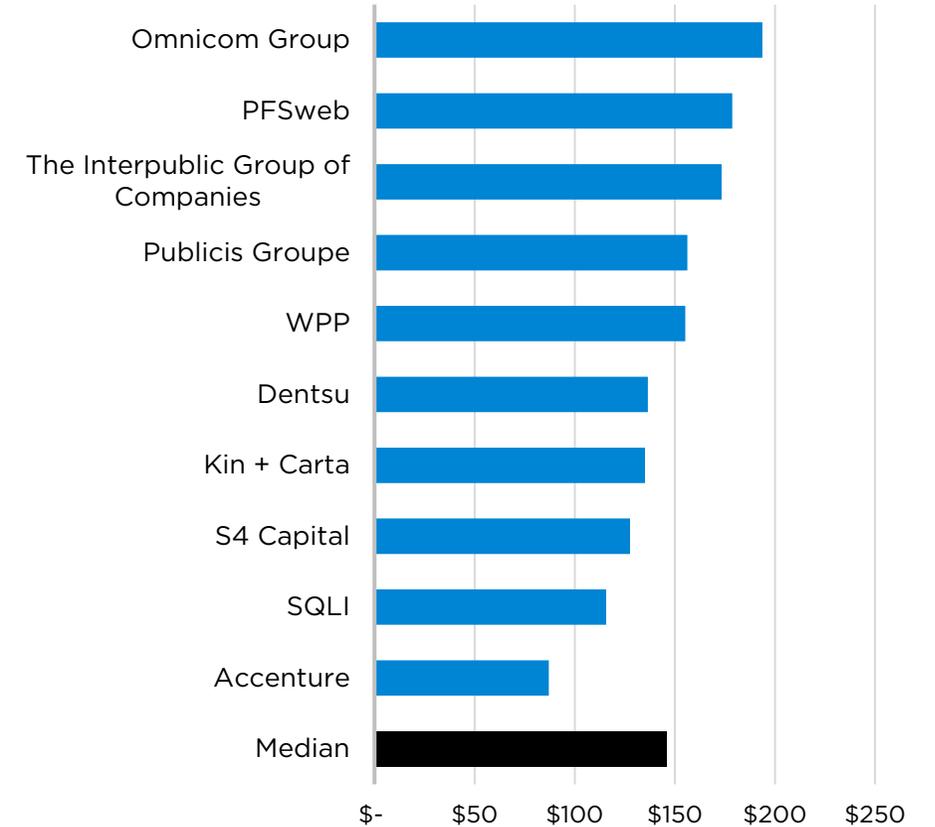


Operational Metrics

LTM Revenue Growth %

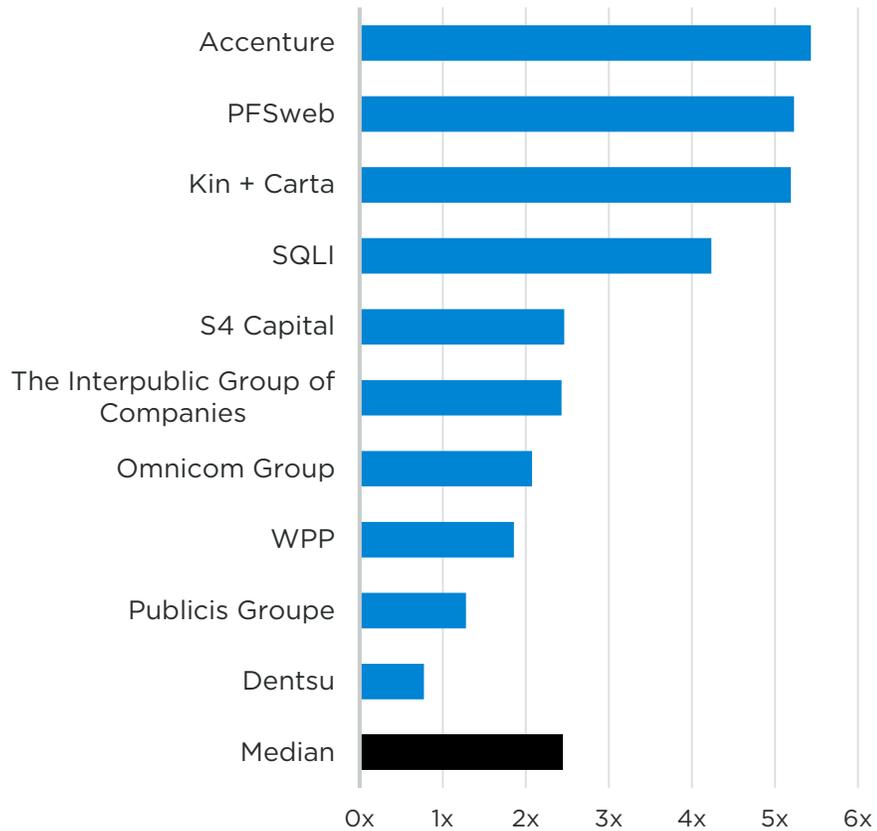


LTM Revenue per Full Time Employee x 000's

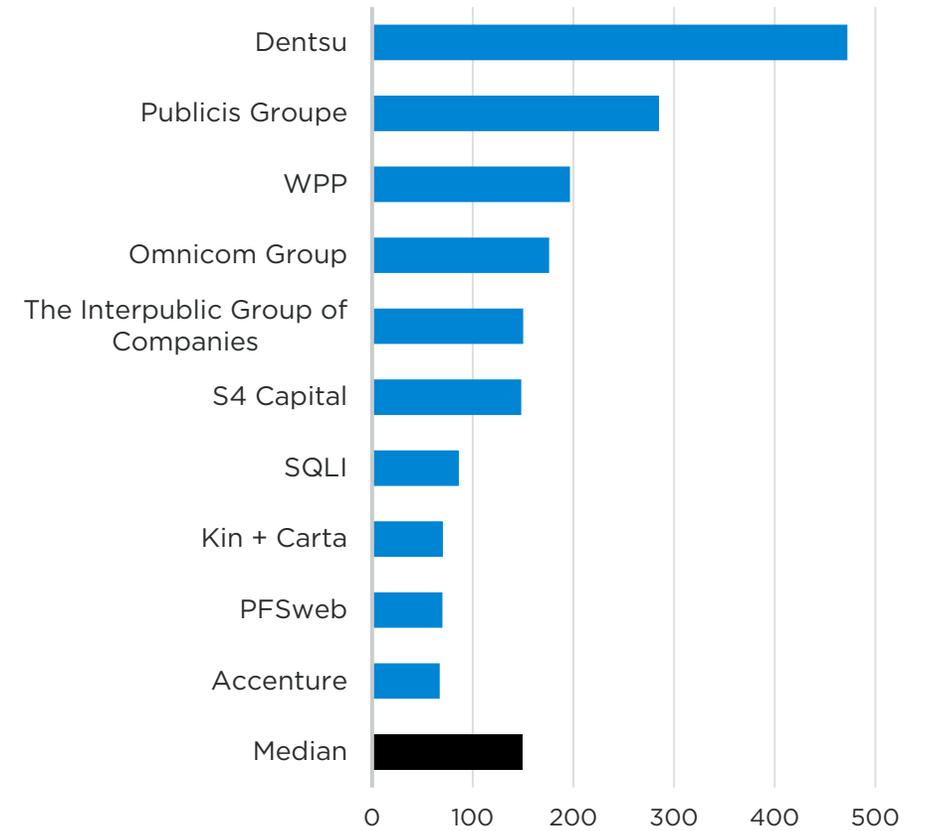


Operational Metrics

Accounts Receivable Turnover

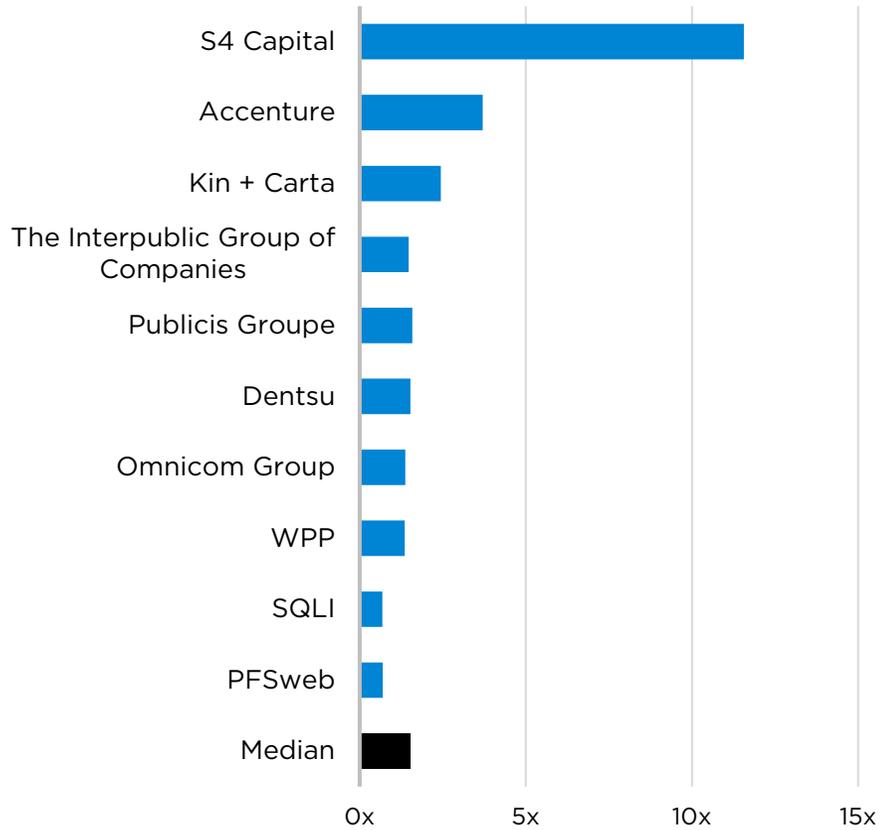


Average Days Sales Outstanding

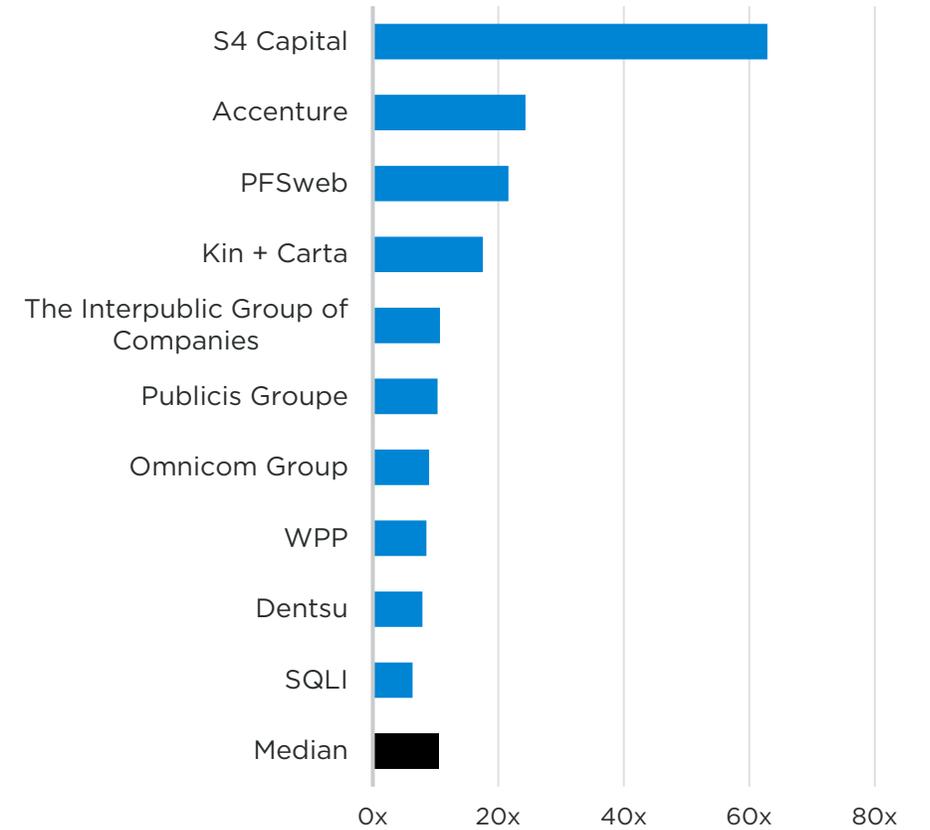


Valuation

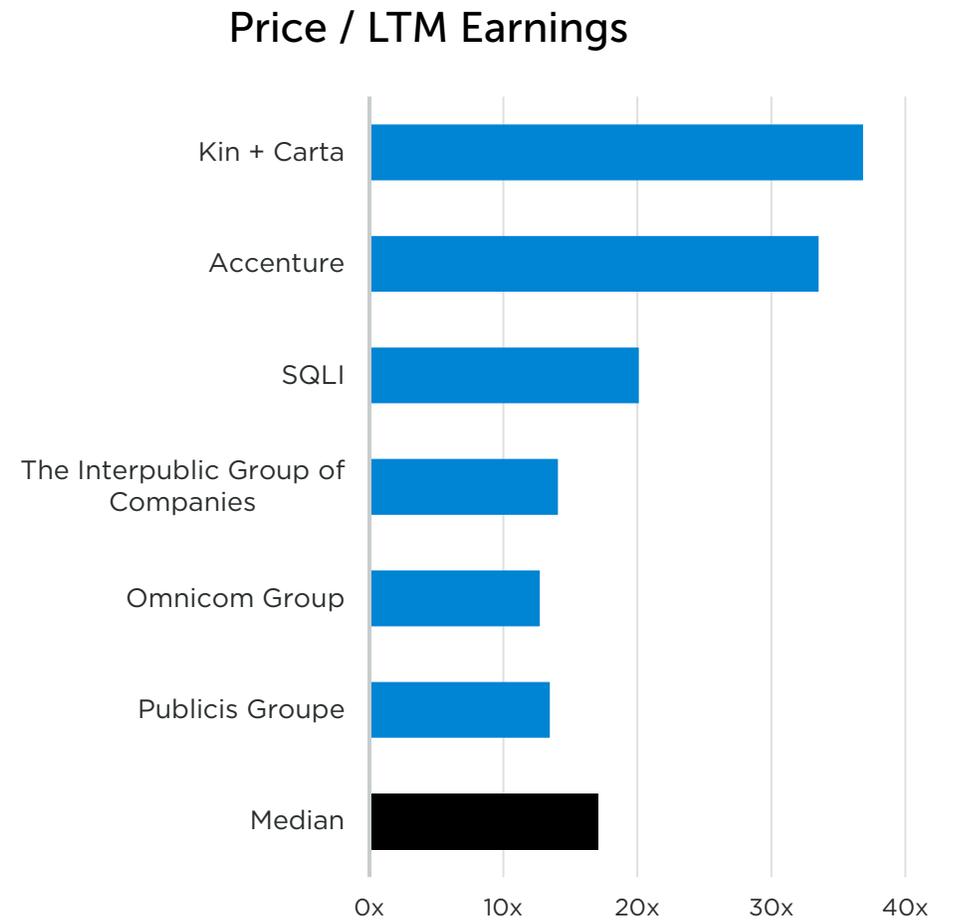
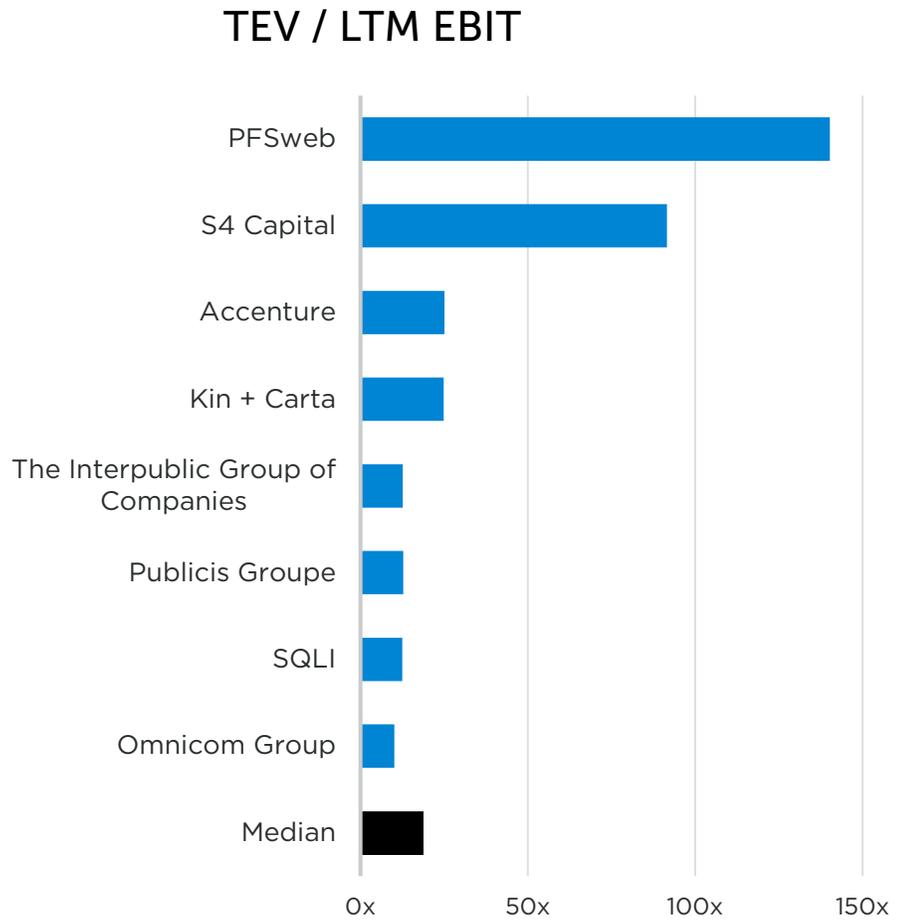
TEV / LTM Revenue



TEV / LTM EBITDA

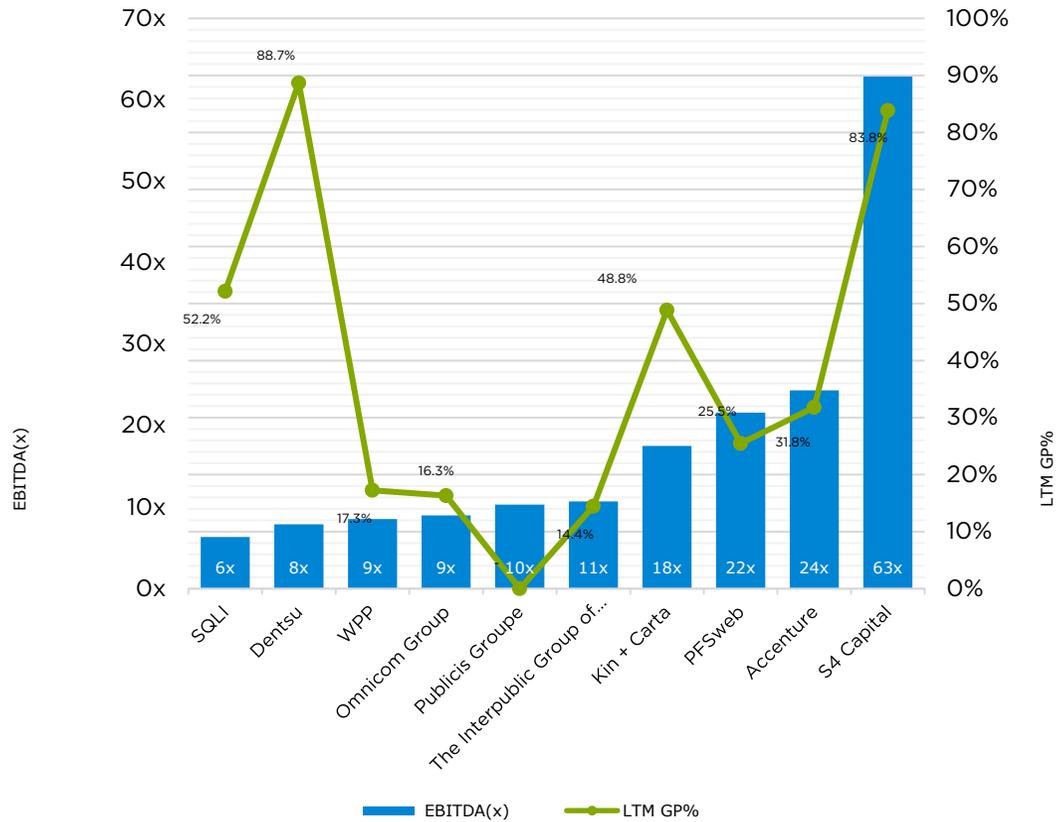


Valuation

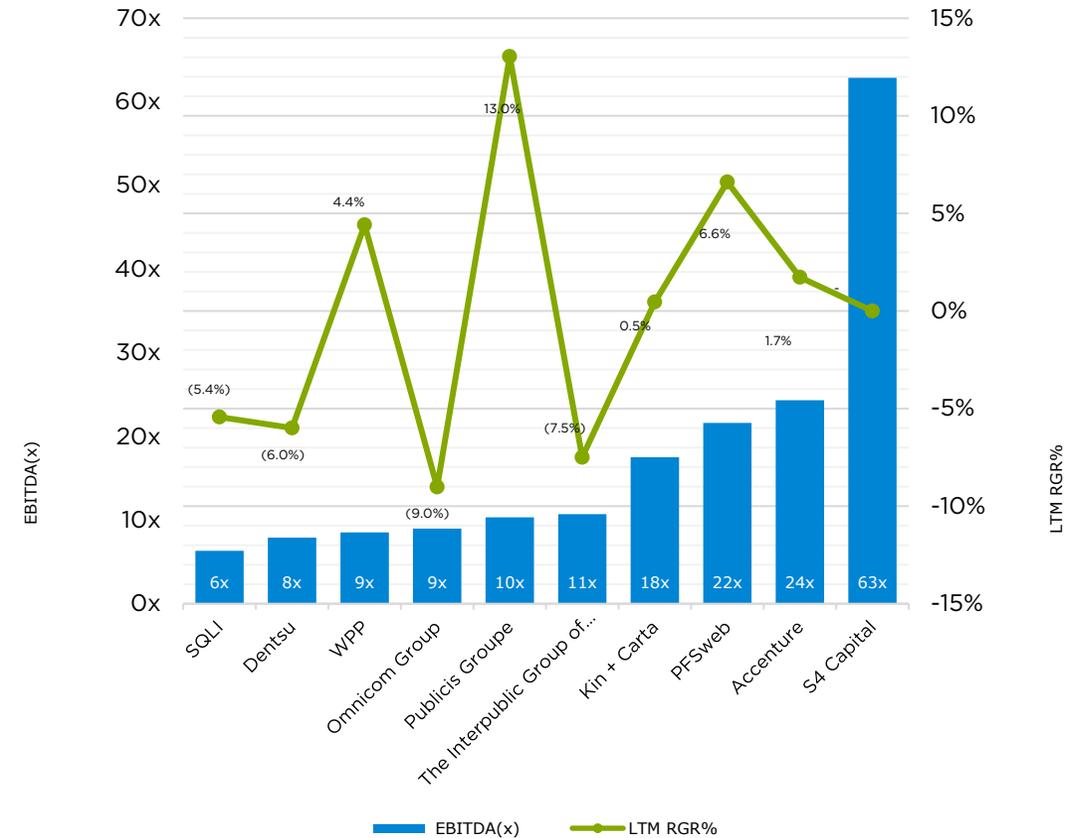


Valuation

Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions

<u>Date</u>	<u>Target</u>	<u>Buyer</u>	<u>Total Transaction Amount</u>	<u>Target Revenue (TTM at time of deal)</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
14-Jan-21	Ace Metrix	iSpot.tv	-	-	-	-
14-Jan-21	Amino Payments	Integral Ad Science	-	-	-	-
14-Jan-21	Ysance	Devoteam	-	-	-	-
13-Jan-21	StoneArch Creative	Bridgepoint Advisers	-	-	-	-
12-Jan-21	B/HI	Dolphin Entertainment	-	-	-	-
12-Jan-21	Social Method	Periscope Equity	-	-	-	-
07-Jan-21	Mood Media	Vector Capital	-	-	-	-
31-Dec-20	Cue Digital	Ideon Media	-	-	-	-
12-Dec-20	2120 Creative	Grafik Marketing Communications Ltd	-	-	-	-
03-Dec-20	Denizen Company	Sid Lee	-	-	-	-
20-Nov-20	iValue	Intracto	-	-	-	-
05-Nov-20	Content26	Brand New Galaxy	-	-	-	-
27-Oct-20	Sonobi	Cohere Capital	-	-	-	-
21-Oct-20	Delete	BGF	-	-	-	-
13-Oct-20	RedMas	Entravision Communications	29.00	-	-	-
30-Sep-20	USDM Holdings	-	-	-	-	-
23-Sep-20	Ad's Up Consulting	European Digital Group	-	-	-	-
10-Aug-20	Zmags	-	5.25	-	-	-
06-Aug-20	Collectively	You & Mr Jones	-	-	-	-
29-Jun-20	Miller Media	CloudAccess.net	-	-	-	-

Appendix

*Public Basket
Contact Information*



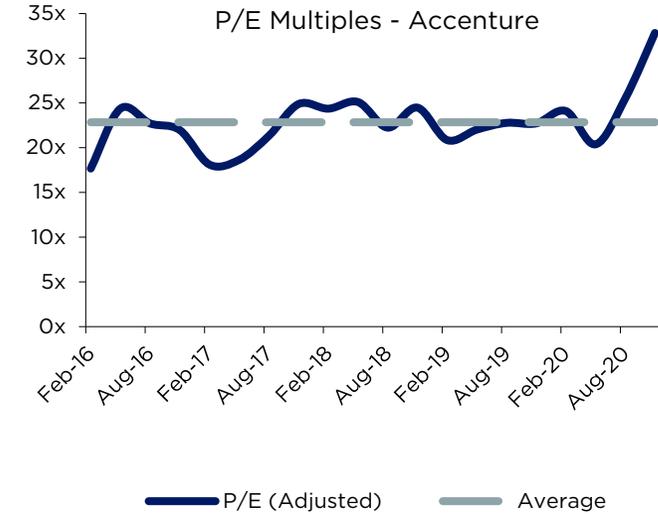
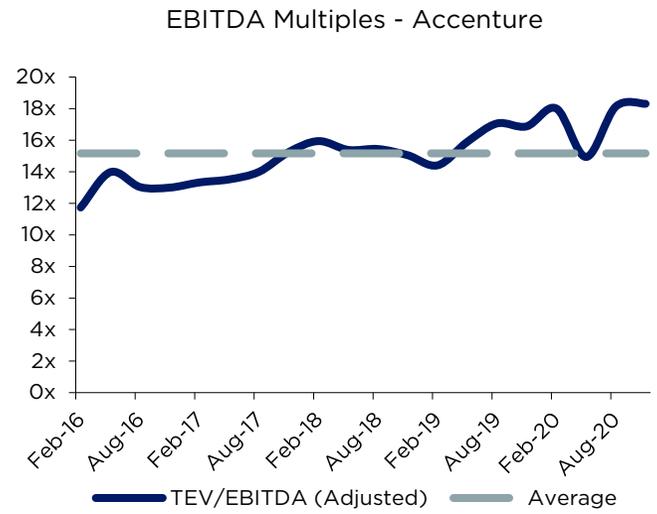
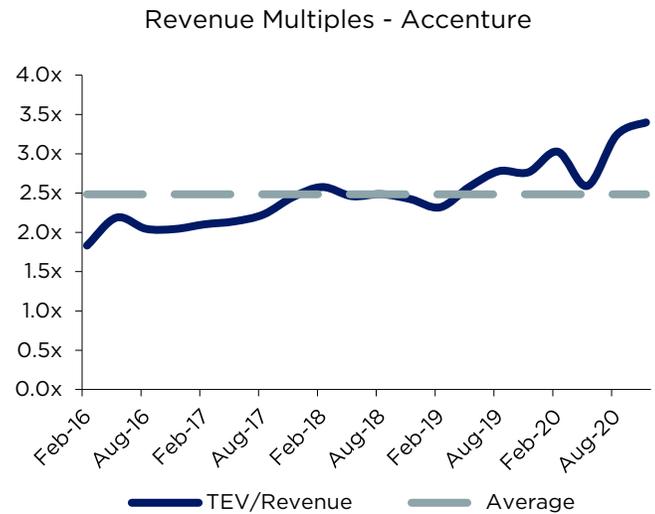
Accenture

Accenture is a leading global IT services firm that provides consulting, strategy, and technology and operational services.

These services run the gamut from aiding enterprises with digital transformation, to procurement services, to software system integration. The company provides its IT offerings to a variety of sectors, including communications, media and technology, financial services, health and public services, consumer products, and resources. Accenture employs just under 500,000 people throughout 200 cities in 51 countries.

Public Basket

Accenture



Company Name	Date	Deal Synopsis
Edenhouse Solutions	15-Feb-21	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on February 15, 2021. The acquisition will scale Accenture's capabilities in the UK to address accelerated demand for SAP's cloud-based solutions.
Businet System	02-Feb-21	The company was acquired by Accenture (NYS: ACN) for an undisclosed amount on February 2, 2021. The acquisition enables Accenture strengthen its ecommerce services, from strategy to system design, development and operation.

WPP

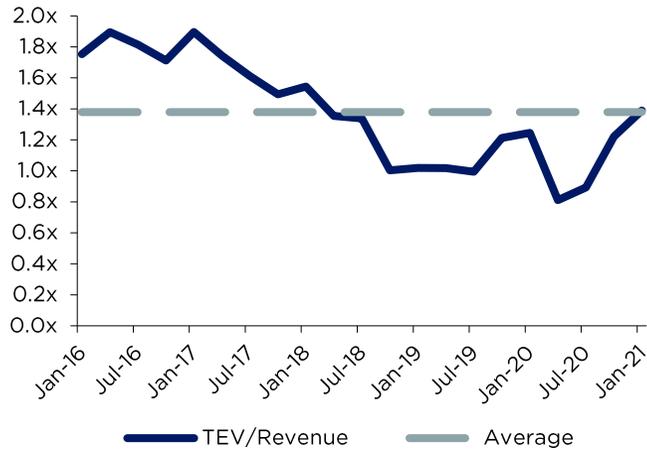
Headquartered in the U.K., WPP is the world's largest ad holding company, based on annual revenues.

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.

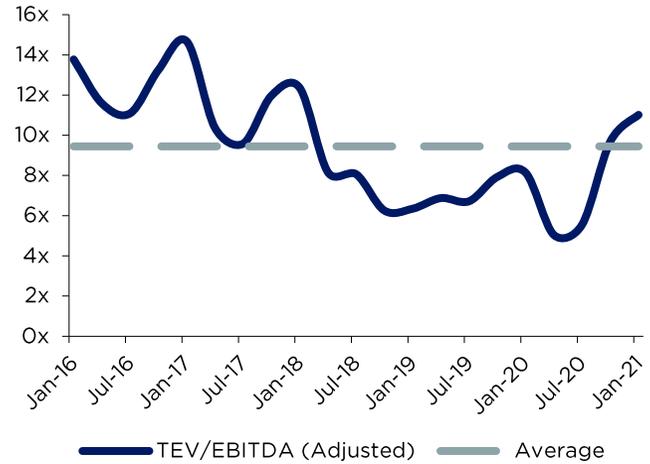
Public Basket

WPP

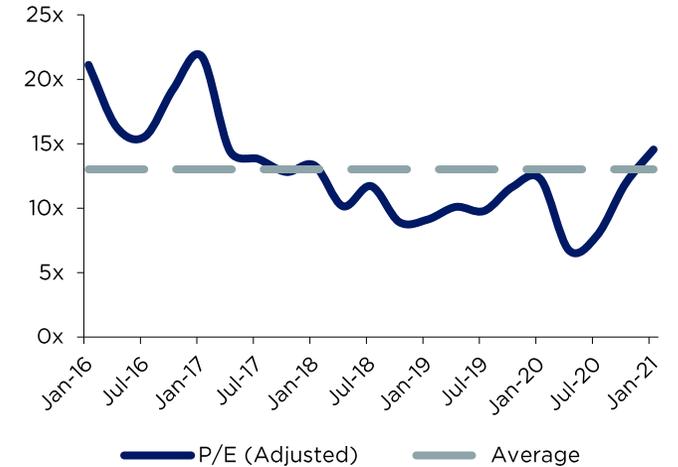
Revenue Multiples - WPP



EBITDA Multiples - WPP



P/E Multiples - WPP



Company Name

Date

Deal Synopsis

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.

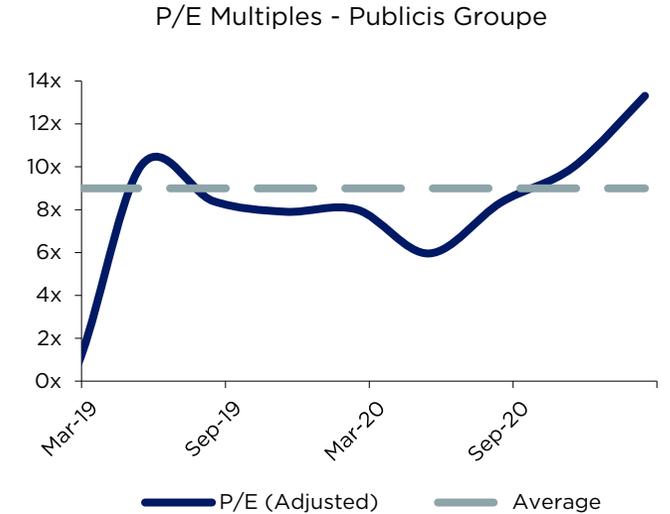
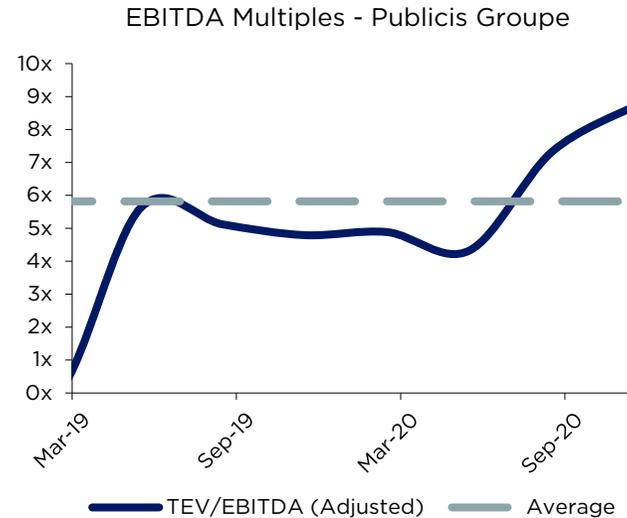
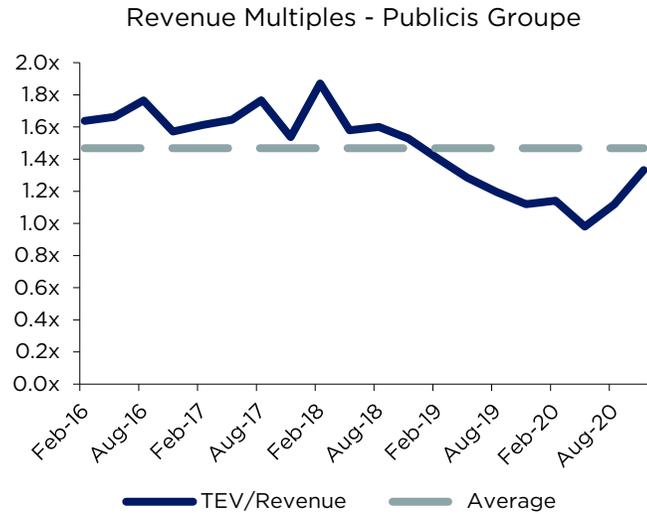
Publicis Groupe

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
Waymo	3/23/20	The company raised \$3 billion of venture funding in a deal led by Silver Lake Management, Canada Pension Plan Investment Board and Mubadala Investment Company on May 12, 2020, putting the company's pre-money valuation at \$27.75 billion. Magna International, AutoNation, Perry Creek Capital, Andreessen Horowitz, Fidelity Management & Research, Alphabet, T. Rowe Price and other undisclosed investors also participated in the round. The funding raised will be used to invest in the company's workforce, product development and operating its Waymo One ride-hailing service, as well as its Waymo Via cargo and goods transportation service.
Lime	1/6/20	The company raised \$170 million of venture funding in a deal led by Uber on May 7, 2020, putting the company's pre-money valuation at \$340 million. GV, Bain Capital Ventures, Alphabet, Ajax Strategies and other undisclosed investors also participated in the round. The funds will be used to reaffirm the company's market strength and position the company to build a long-lasting business that empowers people with sustainable, safe and affordable transportation options.

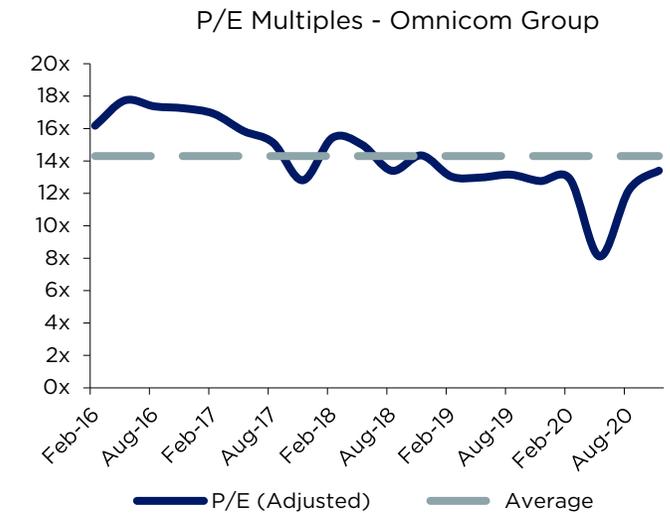
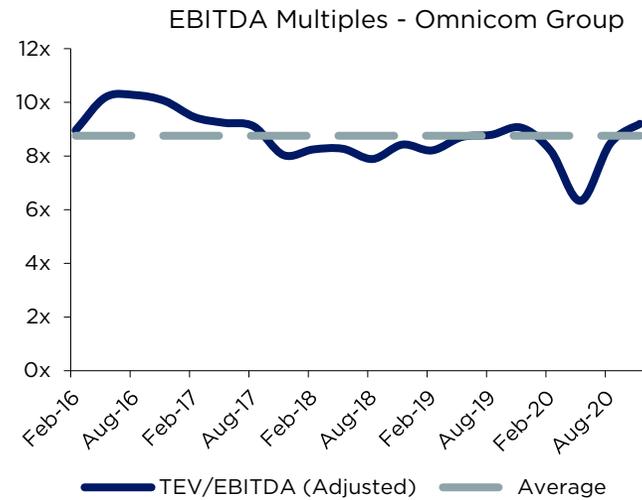
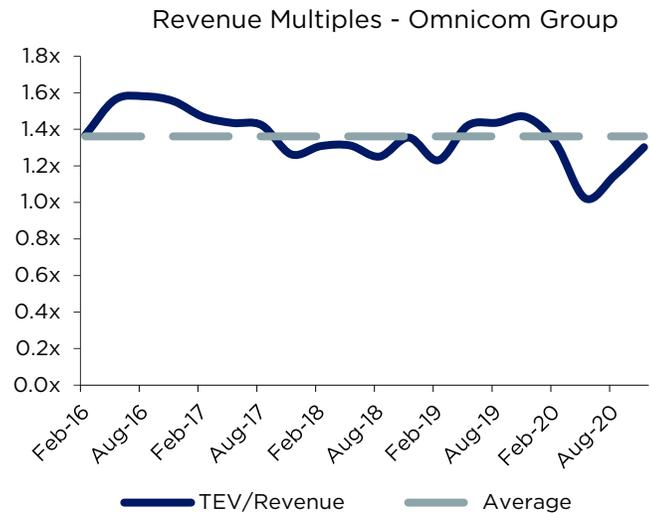
Omnicom Group

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



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.

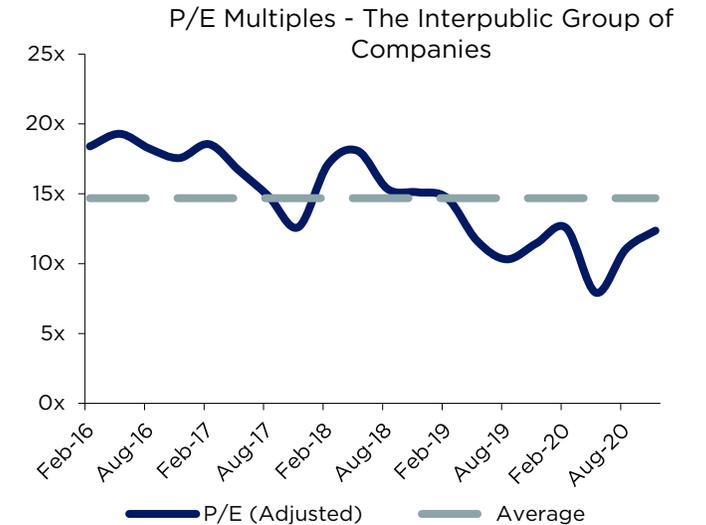
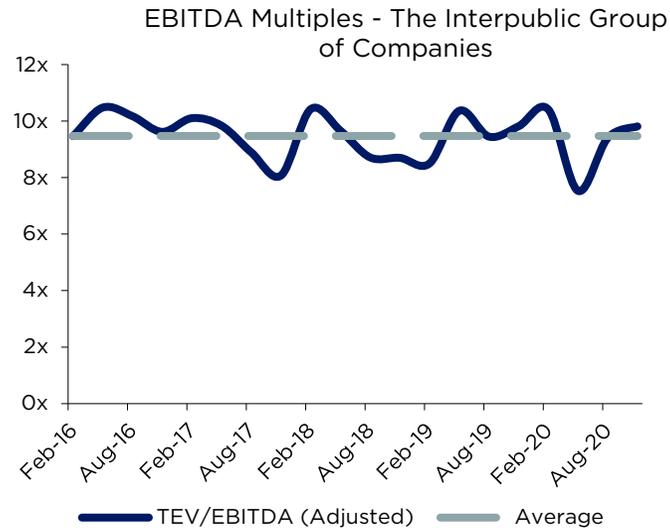
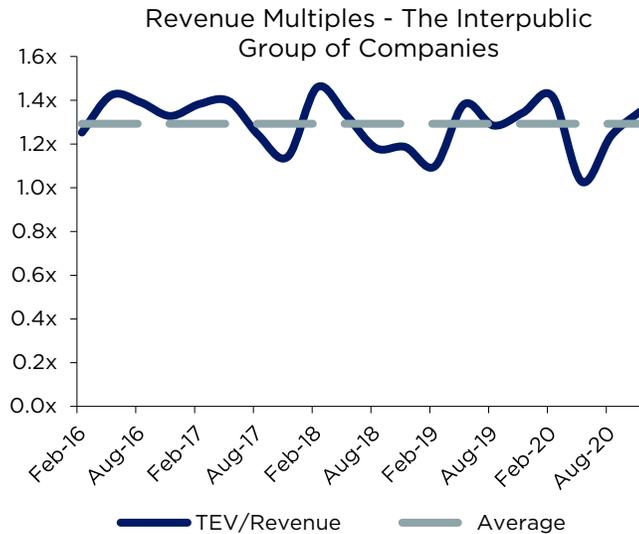
The Interpublic Group of Companies

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.

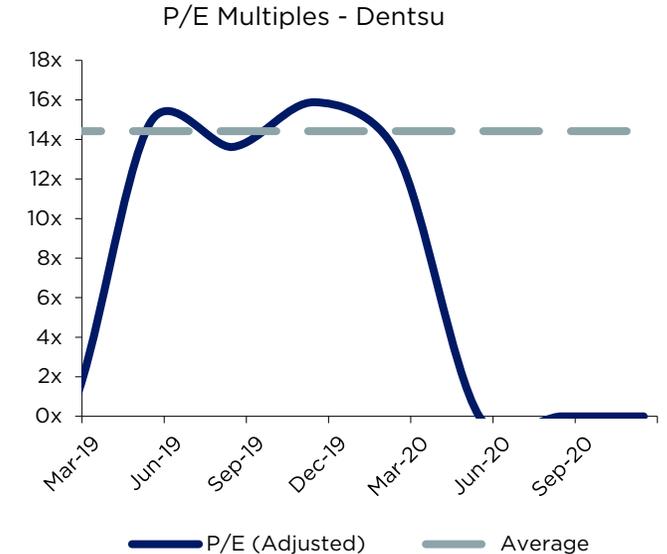
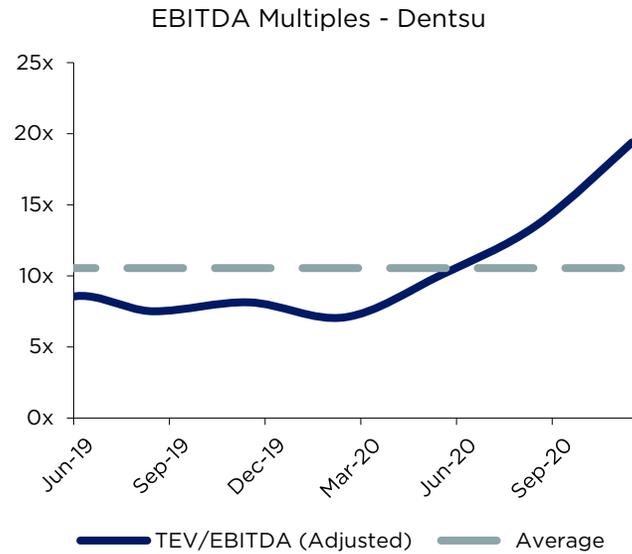
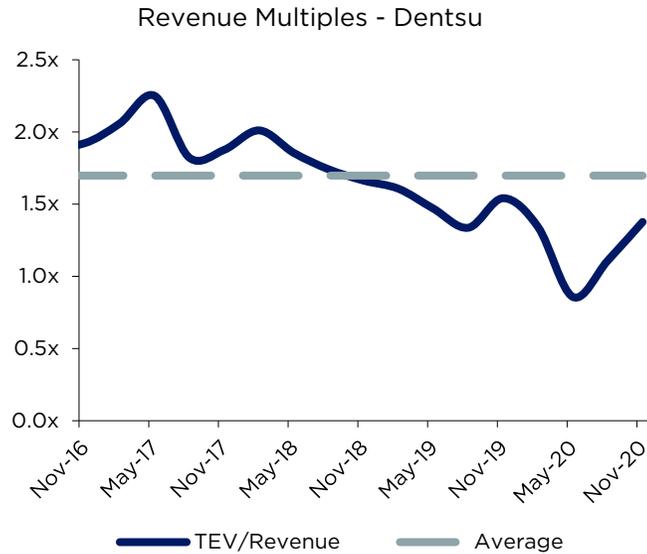
Dentsu

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



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, GMO VenturePartners, 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 grant funding. Concurrently, Dentsu invested in the company.

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.

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