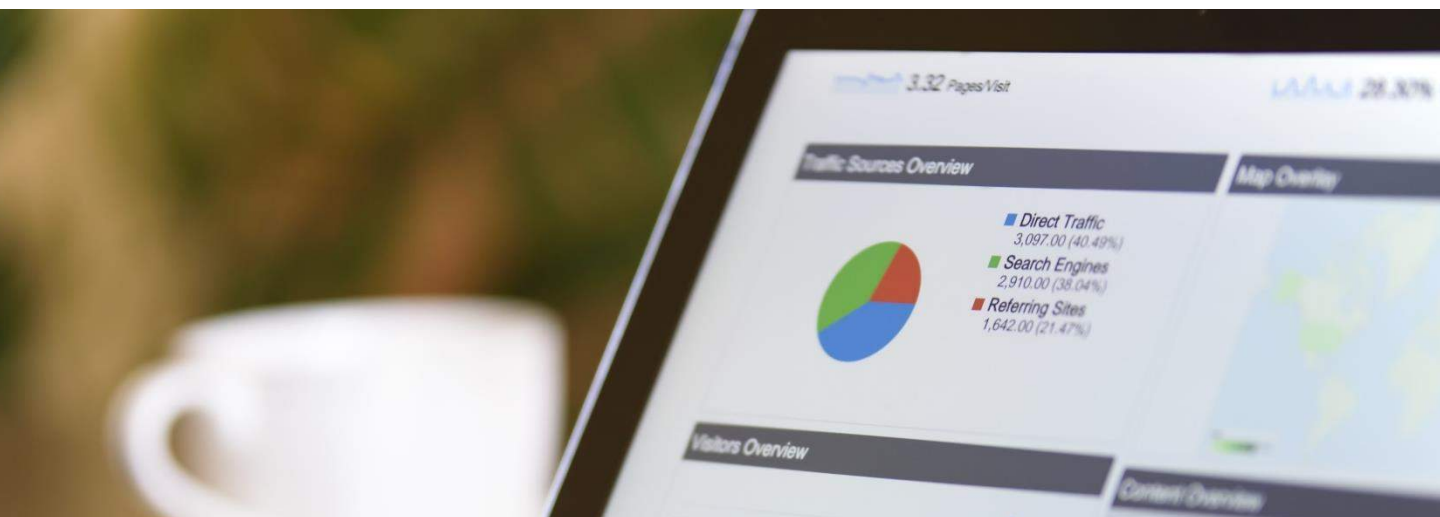


# Digital Marketing





# DIGITAL MARKETING DISCOVERS NEW TERRITORY BEYOND THE “BUY” BUTTON



The digital marketing industry is shaping up with more turns and more tech. The rise of chatbots and AI analytics is nudging brands and retailers to invest and acquire in the realm of personalised touches and deeper insights, while a shift from pre-sales to post-sales marketing is closing the loop in the customer journey life-cycle.

In 2018, Amazon Advertising had a momentous year and changed the landscape of the sector: it is now estimated to be the third-largest ad seller in the US behind Google and Facebook, holding a 4% market share. The value of its ad business topped \$2 billion for the first time in Q1 2018, reaching \$2.8 billion in Q3 and recording continued triple-digit growth year-on-year.

Moreover, 2018 saw record levels of fundraising – not least in digital marketing. Interestingly, five out of eight martech European fundraises took place in France in

2H2018, signalling a niche French lead in the market.

A case in point is Lucky Cart, an AI-based SaaS platform headquartered in Paris. Lucky Cart uses machine learning to improve the return on investment for retailers and suppliers by optimising the performance of their promotional investments, personalising the promotions sent to their customers. The start-up raised €3.6 million in a round led by Partech, with participation from Edenred Capital Partners, Pléiade Venture, Fa Dièse and Calao Finance.

Lucky Cart's success reflects the trend of personalised promotional messages to customers. The rationale holds that if a customer is happy with their experience, they have a higher probability of returning and eventually maturing into brand ambassadors. Clearly, the post-purchase journey trend is taking hold, and more similar changes are likely to occur in 2019.



# M&A SUMMARY

## Stable M&A activity

Total transaction volume reflected consistently stable activity when averaged across the last two years. However, total disclosed transaction value more than doubled in 2H2018 compared to the first half of the year. This is predominantly due to two mega-deals – one in each sub-sector – totalling \$7.05 billion and representing almost the entire total disclosed value for 2H2018. Meanwhile, trailing 30 month revenue

multiples demonstrated continued growth over the preceding twelve months, growing from 1.8x to 2.2x.

Overall, consolidation continued across agency marketing, e-commerce and consultancies. Moreover, private equity's share of deals rose, increasing consistently since the middle of 2016 with a focus on software solutions.

### Digital Agencies & Marketing Services Providers

91

Transaction volume 2H2018

12.6x

Median EV/EBITDA

\$3.15 bn

Total disclosed transaction value

### Marketing Application Software

66

Transaction volume 2H2018

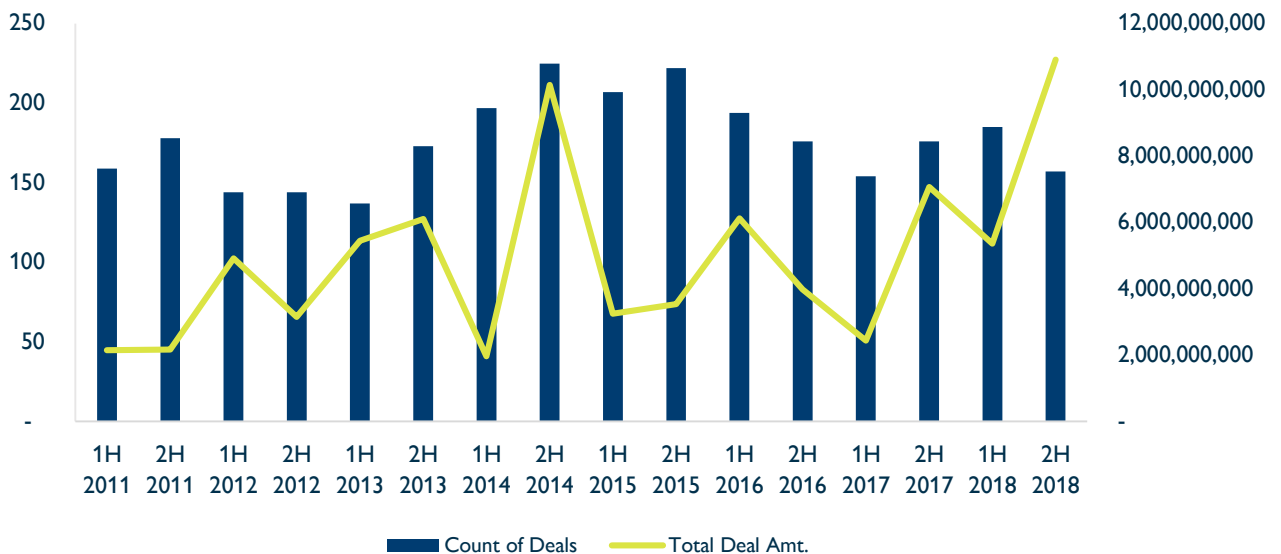
15.7x

Median EV/EBITDA

\$7.76 bn

Total disclosed transaction value

## Total number of Digital Marketing M&A deals 2011 - 2018



Our Digital Marketing report covers the two and a half year period between July 2016 and December 2018. All totals and median values refer to the entire period unless otherwise stated. Median multiples plotted in the graphs refer to the 30 month period prior to and including the half year.



# TOP ACQUIRERS



Number of active acquirers over the past 30 months



Number of acquirers that made >1 acquisition



Median disclosed transaction value over the past 30 months

Acquirer	Acquisitions in 30 months	Three most recent acquisitions
<b>dentsu AEGIS network</b>	42	Digital Evolution Group LLC digital marketing services Namics AG digital marketing services Whitespace (Scotland) Limited digital & traditional marketing services
<b>WPP</b>	25	Grey Group Inc. traditional & digital marketing services Wunderman Worldwide LLC healthcare digital advertising services Burson Cohn & Wolfe public relations & branding services
<b>accenture</b> High performance. Delivered.	15	HO Communication Chinese digital marketing services Meredith Xcelerated Marketing digital advertising services Rothco Ltd Irish digital marketing & web design services
<b>j2 Global</b>	6	Communicator Corporation Limited email marketing services & SaaS StreamSend email marketing SaaS Campaigner email marketing SaaS
<b>salesforce</b>	5	Rebelmail Inc email marketing SaaS Datorama Inc marketing performance intelligence & analytics SaaS CloudCraze LLC B2B online commerce transaction processing SaaS
<b>IBM</b>	5	Vivant Digital Pty Australian digital marketing services Fluid Inc personal shopping recommendation software Ecx international digital marketing services
<b>Capgemini</b>	5	Interactive Thinking Srl digital marketing services June 21 digital marketing services Adaptive Lab Ltd digital business design consultancy services
<b>nielsen</b>	5	Ebiquity plc advertising intelligence division Visual IQ Inc Cross-channel ad attribution SaaS Imagini Europe Ltd consumer measurement services

## Dentsu maintains M&A lead over rivals

Dentsu Aegis Network, the UK-based digital marketing arm of Japanese ad giant Dentsu, closed 2018 with a total of nine acquisitions, making it by far the most acquisitive in the sector. All nine acquisitions have been pure-play digital marketing services across the globe.

WPP, the UK multinational advertising and public relations agency, sits firmly in second place for total

number of acquisitions in the last 30 months. However, WPP matched Dentsu's UK arm with nine total acquisition in 2018, eight of which were carried out through its subsidiaries. After ousting founder and former CEO Sir Martin Sorrell, WPP has created a competitor for future acquisitions, losing the £266 million acquisition of MediaMonks to the industry legend under his new marketing venture fund S4 Capital.



# TOP TRENDS IN DIGITAL MARKETING

- Use of **artificial intelligence to gather real-time intelligence** for targeted marketing, e.g. by scanning social media conversations
- Increasing **use of chatbots to warm sales prospects**, schedule sales appointments and help customers make purchases
- Growing trend of **audio queries** leading companies to optimise their website for voice search and incorporate smart speakers and audio into their sales channels
- Increasing importance of **employer branding**, especially in the DACH region and France where it remains difficult to hire tech employees
- Continuing **convergence of marketing and e-commerce suites**
- Increasing **importance of social media**, with the rise of customer engagement and post-purchase journey

## Post-purchase Journey

Investing in a simplified post-purchase experience will help retail reap rewards in the form of customer loyalty, repeat purchases and increased revenue, and the below statistics help explain why.

- Drive loyalty & revenue



**91%** of retailers agree that engaging customers after they make a purchase improves brand perception, customer satisfaction and loyalty

- Communicate



**5.5x** Consumers are more likely to opt into SMS communications to receive post-purchase updates than pre-purchase marketing notifications

- Don't underestimate returns



**70%** of shoppers say an easy returns experience would make them a repeat customer

*Source: Narvar*

## AI in Martech

AI is gaining increasing traction as a powerful tool to efficiently extract insights from data captured. This enables the creation of marketing campaigns that use AI-driven predictive analytics to optimise media spend, customer interactions and more. Salesforce's \$800 million acquisition of Datorama epitomised this trend and is one of the largest acquisitions this year.

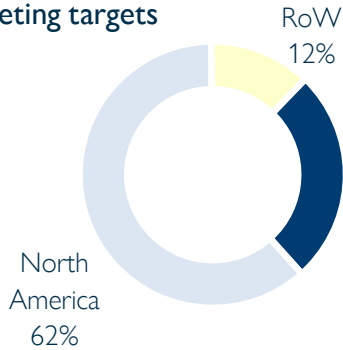
Datorama was a low-profile Israeli start-up boasting a blue chip customer-base which included IBM. With an estimated annual revenue of \$25 million and more than 300 employees, Salesforce valued Datorama at 32x EV/S.

Datorama's platform consolidates advertising and marketing into one interface, making it easier for campaign managers and data analysts to optimise their marketing strategy. An additional feature is an intelligence engine which uses artificial intelligence to extract insights from data sets of any size. This "insights engine" suggests real-time opportunities for optimisation and can be integrated with major marketing automation platforms, such as Marketo, Pardot and Facebook.

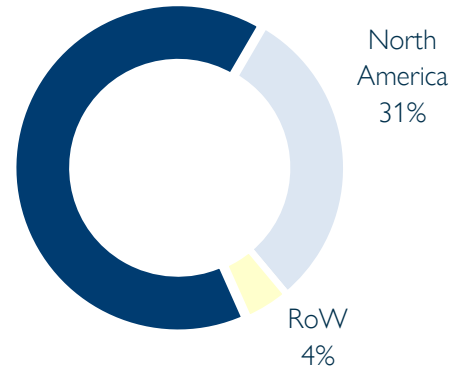


# GEOGRAPHICAL BREAKDOWN

Headquarters of Digital Marketing targets



Headquarters of acquirers of European targets

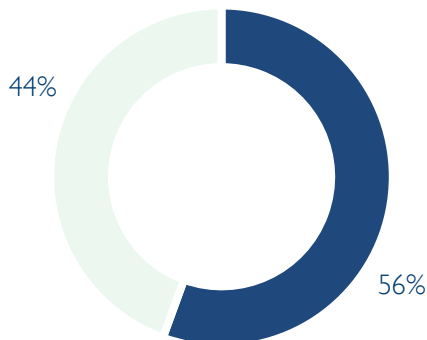


65%



65 per cent of European assets were targeted by a European acquirer, while only 31 per cent of European targets were snapped up by North American buyers. Meanwhile, North American targets have increased their share of global deals by a small margin to 62 per cent up from 61 per cent half a year ago, whilst Europe's share has marginally fallen to 26 per cent.

Sub-sector breakdown



**Digital Agencies & Marketing Services Providers**

Online advertising, mobile & web marketing, e-mail marketing and measurement, web design & development.

**Marketing Application Software**

Online marketing & e-commerce software, CRM, advertising enablement, marketing automation.

## LARGEST DISCLOSED DEALS OF 2H2018

<b>\$4.75 billion</b> 20 Sept	Adobe acquires Marketo
<b>\$2.3 billion</b> 02 Jul	IPG acquires Acxiom Corporation at 3.3x EV/S
<b>\$1.74 billion</b> 16 Oct	Twilio Inc acquires SendGrid at 12.3x EV/S
<b>\$743 million</b> 16 Jul	Salesforce acquires Datorama Inc at 14.5x EV/S
<b>\$201 million</b> 14 Dec	Output Services Group acquires Communis PLC
<b>\$200 million</b> 09 Oct	John Wiley & Sons Inc acquires Learning House Inc.
<b>\$150 million</b> 17 Oct	E.W. Scripps Company acquires Triton Digital Inc
<b>\$150 million</b> 04 Dec	S4 Capital acquires MightyHive Inc.
<b>\$132 million</b> 27 Nov	Quad/Graphics Inc acquires Periscope Inc at 1.6x EV/S
<b>\$103 million</b> 02 Aug	RealPage Inc acquires LeaseLabs Inc



# DIGITAL AGENCIES AND MARKETING SERVICES PROVIDERS

## Sub-sector overview

In the second half of 2018, transaction volume remained stable for Digital Agencies & Marketing Services Providers. Disclosed transaction value, however, continued its aggressive growth, reaching more than double the value of 1H2018 and more than 650 per cent the total disclosed value in 1H2017.

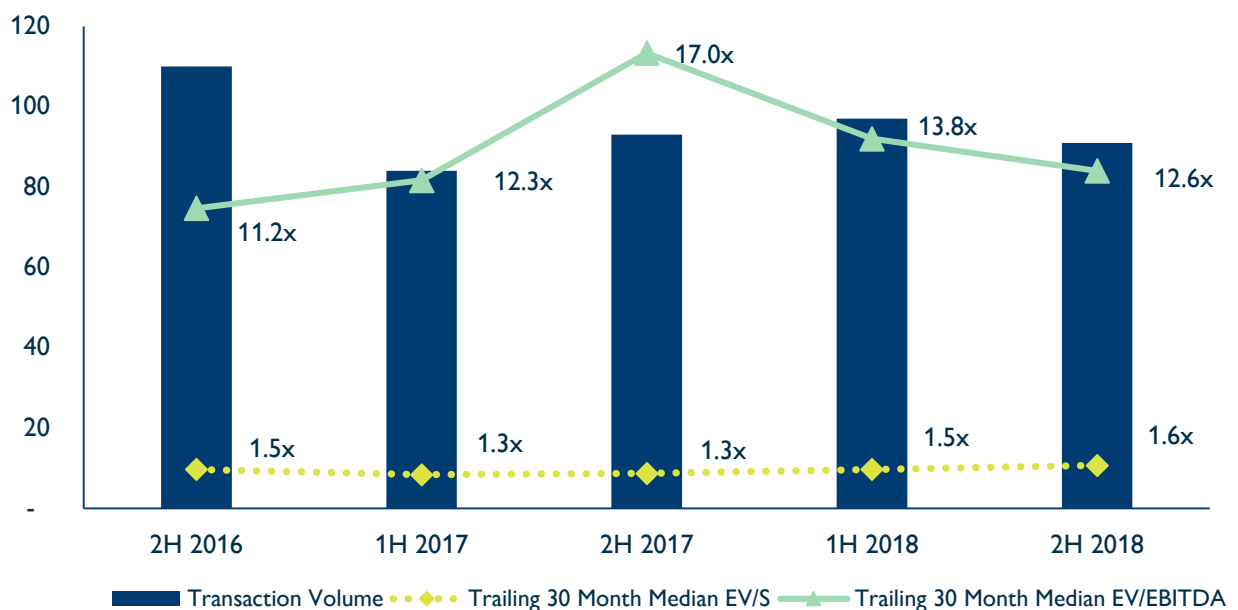
The trailing 30-month median revenue multiple inched upwards to reach 1.6x, while the 30-month trailing median EBITDA multiple remained stable at 13.2x.

## Personalised messaging

In July, advertising agency behemoth Interpublic Group (IPG) acquired database marketing and management solutions company Acxiom (AMS) for \$2.3 billion at above market value of 3.3x EV/S. The agency group has been making regular acquisitions lately, with an emphasis on complementary digital and mobile agencies in Europe, targeting companies such as Virta in 2017, or Zazzle Media, Stickeys and Mubaloo in

2016. In a press statement, IPG described the acquisition as bringing together media and marketing agency expertise with data and personalised messaging. Specifically, Acxiom will allow IPG to deliver a foundation data asset to clients based on a data set that covers two-thirds of the world's population. Indeed, Acxiom claims it now recognises 2.2 billion consumers and manages 20 billion customer records.

Personalised messaging is a core component of the post-purchase journey – now an important part of marketing strategies everywhere. As the number of retail casualties and the cost of customer acquisition continue to rise, brand-building and a satisfying post-purchase journey become crucial for customer retention. In e-commerce, for instance, businesses seek to provide a satisfying customer journey in order to convert customers to their membership-based loyalty programmes, which they now rely on to survive.





# MARKETING APPLICATION SOFTWARE

## Sub-sector overview

The Marketing Application Software segment delivered the highest level of disclosed transaction value of all time and saw a 195 per cent increase in value from the first half of 2018.

The trailing 30-month median revenue multiple experienced an upward tick to 2.6x after falling as low as 2.0x in 2017. Meanwhile, the 30-month trailing median EBITDA multiple returned to 15.7x.

## Adobe continues leads charge for e-commerce platform leadership

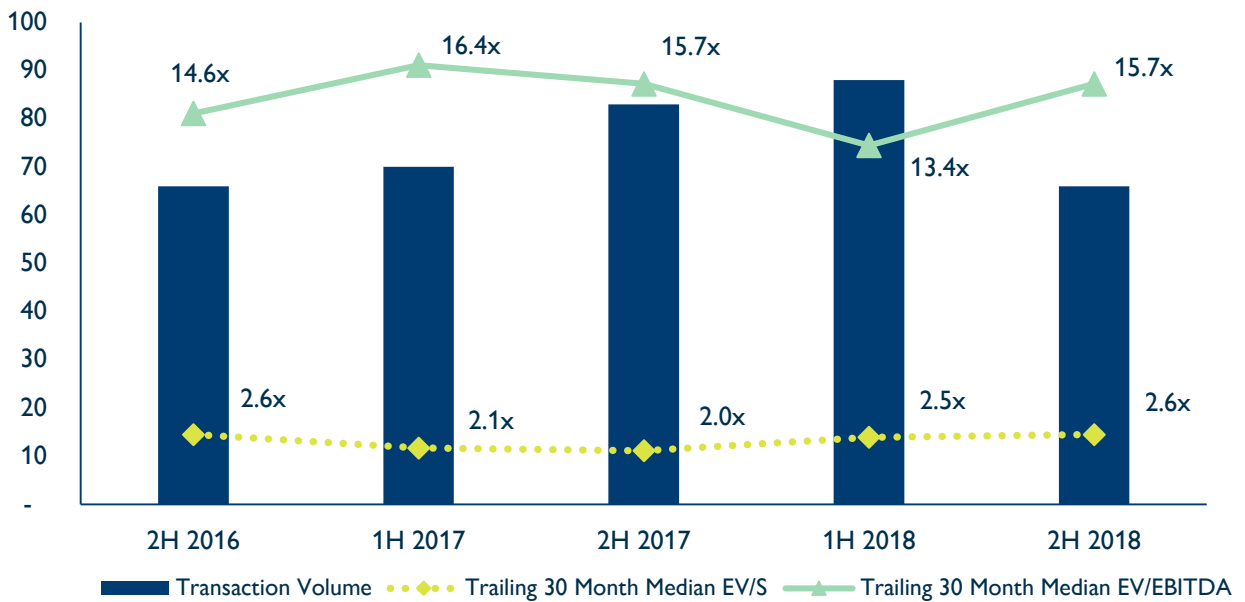
Adobe made their biggest deal in history by acquiring Marketo for \$4.75 billion at nearly 15x EV/S, overshadowing their purchase of Magento for \$1.7 billion earlier this year. Marketo's previous owner, Vista Equity Partners, acquired Marketo in May 2016 for \$1.8 billion in cash and made a profit of \$2.95 billion two years later.

Marketo will become part of Adobe's Experience Cloud, providing a strong B2B marketing automation platform that brings together Adobe's analytics,

content, personalisation, advertising and commerce capabilities with Marketo's lead management and account-based marketing technology for B2B organisations. Adobe has long been a leader in B2C marketing, but thus far did not have a B2B presence. Acquiring an asset with the largest number of clients in the B2B marketing automation space is a strong entry point for Adobe and resets the competitive playing field in B2B marketing against the likes of Salesforce, Oracle and SAP.

Marketo will also strengthen Adobe's B2C offerings by expanding to previously unaddressed markets such as the considered purchase and consumer sales.

The market is rewarding breadth and scale of product offerings. Vendors such as IBM, Oracle, Salesforce, and SAP provide wholesome portfolios to market. However, in reality marketing automation platforms are folding into integrated enterprise marketing software suites, which themselves are consolidating.





## CONCLUSION & CONTACTS

2018 continued to witness a two-way street in acquisitions between digital agencies and marketing software. This consolidation exploits the advantages of digital agencies able to tap into a larger audience via social media marketing and marketing software with access to key technologies such as AI and AR/VR.

Adobe's new prize acquisition of Marketo is testimony of an expansion of product offerings by existing vendors to gain further market share.

Amazon Advertising continues to entrench on the Big Techs' market share in advertising. Moreover, the post-purchase journey will rise to the top of retailers' priorities as they struggle to cope with a fall in consumer retail spending. Greater AI analytics and the adoption of chatbots will inspire retailers to leverage the data collected and translate it to a smarter digital marketing strategy.



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