The tail end of 2018 represented a landmark period in e-commerce history for several reasons. Major moves were made across all areas of internet business, from marketplace deals to online content and media transactions. Perhaps no event better encapsulated the force behind e-commerce’s explosive growth than the news that Amazon had become the world’s second company ever to register a market capitalisation of $1 trillion.

Amazon’s effect on international commerce cannot be understated. Statistically, the giant is inescapable: Amazon commanded 49% of e-commerce sales in the US, where it accounted for one in twenty of all retail sales anywhere. Culturally, too, its effects are felt everywhere. Consumers, spoilt by loss-leader Prime, expect goods to be on their doorstep within a day of ordering. Meanwhile, in 2018, hundreds of American cities genuflected before Amazon in a self-promoting bid to become the e-commerce giant’s “HQ2”, with the winner trading 50,000 in local jobs for $3.5 billion worth of public subsidies.

Yet this dominance has also created opportunities for thousands of companies. Amazon advertising and services — once a cottage industry — is now worth billions of dollars for enterprise-grade agencies and SMEs alike. The runaway success of Amazon’s marketplace model is spawning competition as other retailers embrace similar models, with Walmart acquiring India’s Flipkart, or luxury brand house Richemont going online with its purchase of Net-a-Porter.

With more sales concluded online year-over-year — in verticals as specific as automotive and pharmaceutical retail — e-commerce is transforming the way consumers and businesses buy goods, but also what buyers expect as a customer experience from these transactions. Oh, and that Alibaba company is not too shabby either!

SURVIVING IN AN AMAZON WORLD
M&A SUMMARY

E-commerce transaction activity remained remarkably resolute over the past 18 months, with 2H2018 total transaction count virtually flat on the two periods prior. Consistency in volume also translated into consistent valuations, with median valuations on revenue and EBITDA also standing firm.

With regards to value, 2018 recorded an increase of over $20 billion against the year prior, boosted by mega deals like the blockbuster “take-private” of Thomson Reuters’ online finance content division, or Walmart’s statement of intent in its ambitious pickup of Flipkart. With at least 18 transactions with a total value in excess of $1 billion, 2018 crept past 2017’s tally. Furthermore, though strategic buyers made up 86 per cent of all transactions during 2H2018, the share of private equity transactions has soared since the beginning of 2016. Financial buyers are also paying increasingly more, as demonstrated by transactions such as Silver Lake Partners’ acquisition of Zoopla for $3 billion at an eye-popping 26.4x EBITDA.

Meanwhile, the e-commerce start-up ecosystem is undergoing major transformations. On the one hand, for established e-commerce platforms funding volume is increasing; in November, the Korean e-commerce giant Coupang raised $2 billion. This was rapidly followed by Indonesian leader Tokopedia’s Series G round in December, which resulted in $1.1 billion investment from Alibaba and the Vision Fund. On the other hand, on average it is becoming noticeably difficult for start-ups to obtain early-stage capital without guaranteeing their ability to disrupt a specific vertical through a serious data-driven platform.

Overall, despite the highly-publicised mega deal activity, e-commerce M&A is represented by a swathe of diverse companies. The median disclosed transaction size for 2H2018 was approximately $21 million, down from $24 million in 2016.
With 17 disclosed acquisitions to its name, Miami-based Motorsport Network tied for the top spot as the most prolific e-commerce acquirer of the past 30 months. With flagship brands in its portfolio such as Autosport, Motorsport and Motor1, the company continued its strategy of picking up leading assets in the online motorsport news space.

Also clocking in at 17 acquisitions was Bite Squad, a holding company for numerous online food delivery companies. The company had a prolific run, inking all 17 deals on a single day in October 2017. The company itself was acquired in December 2018 by Waitr for a healthy $321 million.

<table>
<thead>
<tr>
<th>Acquirers</th>
<th>Acquisitions in 30 months</th>
<th>Three most recent acquisitions</th>
</tr>
</thead>
</table>
| motorsport     | 17                        | SportStadion  online motor racing event ticketing  
JamesAllenonF1.com  Formula 1 blog & news  
auto-live.hu  online automotive news |
| bite squad     | 17                        | Café Courier Ohio  online food delivery services  
256ToGo  online food delivery services  
2 Dollar Delivery  online food delivery services |
| catenamedia    | 12                        | LeapRate.com  online Forex news  
GG.COM  online horse racing website  
Squawka  soccer news website |
| Quikr          | 11                        | India Property Online  online property rental platform  
Babajob.com  blue collar jobs classifieds  
Zimmber  home services booking website |
| Alibaba Group  | 10                        | Daraz Group  Pakistani online retailer  
ORDRE  online apparel retailer  
Ele.me  China-based online food delivery |
| investoo group | 9                         | eFXto Forex  Spanish-language Forex news & analysis  
VantagePointTrading.com  stock trading information website  
Cryptostart.nl  cryptocurrency news & information website |
| lendingtree    | 8                         | ValuePenguin  online financial analysis website  
QuoteWizard  online insurance quote comparison service  
Student Loan Hero  online student loan repayment services |
| j2 Global      | 8                         | BestBlackFriday.com  online Black Friday deal aggregation websites  
Serinus42  online outage detection platform & analysis  
Lifescript  online women’s health magazine |
TOP TRENDS IN E-COMMERCE

Telecoms and media brands: the jury is out on value proposition
The match-up between telecoms and media content companies is not new – though whether it’s a winning formula is a different question. After its much heralded $9.5 billion assembly of Yahoo! and AOL into Oath, Verizon was forced to write down $4.6 billion of the subsidiary just one year later. Chief competitor AT&T – now in charge of a media empire including HBO and CNN – bought out the Cherning Group’s half of Otter Media for around $1 billion, and will need to find where to organise these assets in its sprawling media portfolio.

Earlier in 2018, ProSiebenSat.1 – one of the largest independent media companies in Europe – entered a long-term partnership with General Atlantic, a leading global growth equity firm, to help drive the strategic development of its commerce business by creating the unicorn NuCom Group (NCG). Valued at $1.8 billion, NCG aims to develop into a leading European omnichannel platform for consumer services and lifestyle brands, satisfying the growth objectives pursued by ProSiebenSat.1 for the commerce segment.

Adobe move for Marketo increases toolset available to e-tailers
With the continuous blurring of lines between e-commerce and the marketing tools which enable it, Adobe took a significant step as it acquired Marketo for $4.75 billion. For Vista Equity Partners, the former owners of Marketo, the transaction valued at over 12 times forward revenue represented excellent business.

For Adobe, the acquisition – coupled with its earlier $1.7 billion pick-up of Magento – gives it a credible and world-leading digital commerce platform. In fact, for Marketo’s competitors this could be worrisome: with marketing automation still a relatively white space industry, stalwarts like Salesforce and Oracle (as well as SME specialists like Hubspot) are seeing a huge competitor encroach on their territory, whilst still being part of an expanding market that may soon be large enough for all of them.

- Increased significance of Amazon ecosystem for brands and retailers / leveraging Amazon marketing to increase reach
- Increased importance of customer post-purchase journey, including fulfilment, interaction and communication, and customer experience
- Voice, smart home, AR/VR and other next generation modes of communication changing how customers can acquire goods and services
- Social commerce skyrocketing to new levels, particularly on Instagram, Pinterest and Facebook
- AI entering e-commerce for use in search or filter functions, data mining and content creation
- Deal activity by financial buyers bringing lustre back to the sector
- Consolidation in the online food delivery service as companies and consumer appetite continue to grow
LARGEST TRANSACTIONS

Strong showing for online luxury retail
Over four years have elapsed since Neiman Marcus bought out Munich-based luxury online retailer MyTheresa and several deals have taken place since then. Swiss luxury conglomerate Richemont added to its portfolio by picking up online pioneers YOOX Net-a-Porter for a stately sum of $3.7 billion. In its first move as a public company, Farfetch saw a 6% jump in its share price after announcing its $250 million acquisition of Stadium Goods owned by Mark Cuban. Meanwhile, publishing giant Schibsted made an undisclosed purchase, picking up French online luxury fashion and accessory marketplace Videdressing in November.

<table>
<thead>
<tr>
<th>LARGEST DISCLOSED DEALS OF 2H2018</th>
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<tbody>
<tr>
<td>$5.4 billion 08 Aug</td>
<td>CC Capital/Cannae Holdings/Thomas H. Lee Partners acquire Dun &amp; Bradstreet</td>
</tr>
<tr>
<td>$4.4 billion 10 Dec</td>
<td>Siris Capital &amp; Evergreen Coast Capital acquire Travelport</td>
</tr>
<tr>
<td>$4.3 billion 01 Apr</td>
<td>Zhejiang Century acquires Shanda Games</td>
</tr>
<tr>
<td>$3.2 billion 24 Sep</td>
<td>Sirius XM Radio acquires Pandora Media</td>
</tr>
<tr>
<td>$2.3 billion 02 Jul</td>
<td>Interpublic Group acquires Acxiom</td>
</tr>
<tr>
<td>$1.8 billion 21 Nov</td>
<td>Apax Partners acquires Trade Me</td>
</tr>
<tr>
<td>$1.1 billion 21 Dec</td>
<td>Takeaway.com acquires Delivery Hero</td>
</tr>
<tr>
<td>$1.0 billion 07 Aug</td>
<td>AT&amp;T acquires Otter Media</td>
</tr>
</tbody>
</table>

Flipkart acquisition opens huge addressable market
Last year, Walmart recorded higher sales ($500 billion) than Belgium did in GDP ($492 billion). So where does additional growth come from for the world’s largest retailer? Its $16 billion purchase of Flipkart, India’s premier online marketplace, is certainly a start: with an estimated 300 million smartphone users and growing, India’s e-commerce market will generate ample opportunity for Walmart.
European investors recorded another dominant half-year of regional deal-making, accounting for the vast majority of buyers of e-commerce targets. The percentage of regional targets acquired by a European buyer in the last 30 months stands at almost three in four, compared with just under 20% of European targets which were bought by North American investors.

**Online Retail**
E-commerce retailers, online marketplaces, classifieds, auctions.

**Internet & Information Services**
E-commerce services & software, analysis & reference providers, online advertising, directories, search, exchanges, education.

**Media & Social**
Social networking, online games, entertainment, online communities, video, blogs, music, news content.
Following two years of slight semiannual volume decline, transaction activity picked up in 2H2018, registering a 15% increase over the prior half-year period. Valuations also continued to creep upward, with a 30-month trailing EBITDA ratio topping 15.5x.

**Fragmented e-commerce market consolidates**

According to Euromonitor, e-commerce is set to cross the threshold as the biggest sales channel in the world by 2021, in some estimates representing a market closing in on $3 trillion in value. Meanwhile, underpinning this development are two trends that will drive considerable M&A: market place business and vertical-specific retailers.

The largest online retail deal of 2H2018 – a marketplace deal – was Apax Partners’ $1.85 billion buyout of Trade Me, New Zealand’s leading online retail destination. Clocking in at an impressive 10.5x revenue, Apax eventually beat Hellman & Friedman for the acquisition of the premier marketplace. Walmart too made further inroads into its marketplace objective by acquiring Latin American retailer, Cornershop, for $255 million.

Vertical deals also abounded as Farfetch, fresh off its September IPO, made its first acquisition as a public company with a $250 million buy of Stadium Goods. Zur Rose Group, a Swiss online pharmacy, also sustained this trend by taking over medpex, another online pharmaceutical retailer, for just shy of $200 million.
This perennially relevant sub-sector accounted for just under half of all e-commerce deal flow for the half year. Bolstered by some significant transactions, the Internet & Information Service segment continues to crawl upwards in valuation over time.

Online food ordering delivers M&A activity
Online food delivery giant Takeaway.com inked a $1.06 billion deal for Delivery Hero’s German businesses, gaining a serious foothold in Europe’s largest economy. The acquisition came just five months after Takeaway.com expanded its footprint to include Israel with its purchase of 10bis.co.il for a healthy $157 million.

Bite Squad, the acquisition vehicle that bought 17 local food delivery services on a single day in 2017, itself became the target of a buyout by Waitr, the American listed restaurant ordering application. Bite Squad have been growing at close to 100% year-over-year, and now doubles the size of its acquirers as Waitr pursues its mission to become the largest online food delivery service in the US.

Private equity consortium takes honours for largest deal
CC Capital, Cannae Holdings and Thomas H. Lee Partners paid almost four times revenue for Dun & Bradstreet in a deal valued at $5.38 billion. For Dun & Bradstreet, a provider of online business directories and databases, going private may deliver superior growth opportunities for the 178 year-old stalwart.

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The Media & Social sub-sector recorded a relatively flat half-year in transaction volume, with 85 deals inked in 2H2018. In terms of value, the half-year’s total of $12.7 billion was the highest in two years, boosted namely by the efforts from SiriusXM and Zhejiang Century.

**Strong showing for games and music**

Three of the top five Media & Social deals of 2H2018 occurred in the games and music space. China-based Zhejiang Century, an online gaming and auto part retailer, acquired Shanda Games for a lofty $4.34 billion at 7.5 times revenue; and South Korean company Pearl Abyss added to its games portfolio with its $425 million acquisition of Iceland’s CCP Games. Meanwhile Cherry AB, the Swedish company offering online gaming software and services, was taken private by Bridgepoint in a deal worth $765 million and valued at over 15 times EBITDA.

On the music side, internet radio giant SiriusXM purchased music streaming service Pandora for $3.23 billion. SiriusXM, which had already participated in Pandora’s pre-IPO funding a year prior, now has a credible product in the mobile streaming market.

The sub-sector’s largest community deal came in September as WeddingWire, an online wedding vendor directory, bought XO Group in a deal close to $1 billion. 

### NOTABLE TRANSACTIONS IN 2H2018

<table>
<thead>
<tr>
<th>ACQUIRED</th>
<th>DATE</th>
<th>AMOUNT</th>
<th>MULTIPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>WeddingWire</td>
<td>25 Sep</td>
<td>$933 million</td>
<td>(5.0x EV/S)</td>
</tr>
<tr>
<td>Pandora</td>
<td>24 Sep</td>
<td>$3.23 billion</td>
<td>(2.4x EV/S)</td>
</tr>
<tr>
<td>Zhejiang Century</td>
<td>13 Sep</td>
<td>$4.34 billion</td>
<td>(7.5x EV/S)</td>
</tr>
<tr>
<td>Cherry AB</td>
<td>04 Jul</td>
<td>$601 million</td>
<td></td>
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</tbody>
</table>

- **Transaction Volume**
- **Trailing 30 Month Median EV/S**
- **Trailing 30 Month Median EV/EBITDA**
The second half of 2018 saw an increase in the value of disclosed e-commerce deals, with transaction volume remaining as steady as ever. In the age of Amazon’s pervasion of all e-commerce areas – most recently the grocery, apparel and pharmacy verticals – the need for consolidation is becoming more acute. As such, many acquirers, retailers and brands have targeted companies which can offer an advantage in logistics and resource management to improve cost efficiency. Their focus has also shifted away from expensive customer acquisition costs to perfecting the post-purchase customer journey. Meanwhile, AI, voice-controlled smart home devices and social media commerce continue to influence e-commerce activity as they modify consumer habits and open up new opportunities for customer retention.

Going forward, we will witness more activity from strategic buyers keen to consolidate their offering and operations; from financial buyers whose share in the market will continue to grow; and from venture and funding arms keen to capitalise on e-commerce start-ups with the potential to disrupt a unique vertical.

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