

# Market Update

## Marketing Technology & Services

Q3 2016

### Key Highlights

- **Lincoln Update:** Solid momentum in the marketing technology and services space, closing four deals in previous two quarters
- **Measures that Matter:** Impact of Digital Media on In-Store Sales
- **Subsector Highlight:** Data-driven marketing services year-over-year forward multiples trending upward
- **Key Transaction:** Dentsu Aegis Network has acquired a majority stake in Merkle

### Lincoln International's Marketing Technology & Services Group

Lincoln International recognizes the importance of understanding a client's industry, value drivers, growth opportunities and challenges. Our extensive marketing technology and services expertise provides in-depth market insights, deep relationships with the most active strategic and financial partners and superior knowledge on how to best position a business and overcome potential issues. These attributes, combined with our globally integrated resources and flawless execution, enable us to consistently deliver outstanding outcomes for our clients.

Lincoln International's dedicated Marketing Technology & Services Group has established itself among the most active M&A advisors in the mid-market. Our senior bankers provide sector-specific expertise, global buyer access and unmatched execution within the marketing technology and services space, particularly in our key areas of focus below:

- Commerce Enablement
- Data-driven Marketing Services
- Digital Marketing Services
- Marketing Technology
- Analytics

## Lincoln News

## August 2016:

Lincoln International advised **Project Church**, a provider of process automation and data management software solutions, on its sale to a private equity firm.

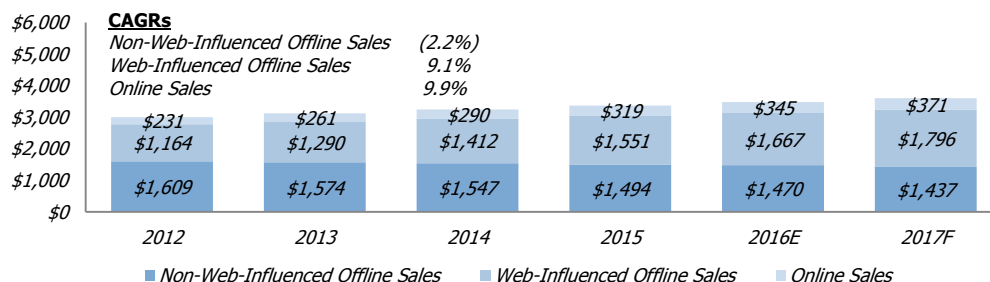
**May 2016:** Lincoln International advised **Dominus Capital** on its sale of **On Campus Marketing**, a leading online retailer of university-approved merchandise for campus living, gifting and special occasions, to **Spire Capital**.

**April 2016:** Lincoln International announced the sale of **Money Mailer**, a leading provider of data-driven, omni-channel marketing solutions.

**April 2016:** Lincoln International advised **PSP Capital Partners** on its sale of **Halo Branded Solutions**, a leading marketing services and supply chain platform in the promotional products industry, to **Audax Private Equity**.

## Measures that Matter: Impact of Digital Media on In-Store Sales

### U.S. Web-Influenced Retail Sales by Segment (\$ in billions)



### Consumer In-Store Purchasing Behavior is Heavily Influenced by Digital Marketing and Media

While ecommerce represents less than 10% of total retail sales in the U.S., recent third-party research indicates that an additional 45% of offline retail sales are indirectly driven by digital media and other online activity. Consumers increasingly use digital mediums to "pre-shop" across product categories on both desktop and mobile, driven by a number of factors. First, retailers continue to expand the product content available to consumers online and optimize the mobile shopping experience. Second, over 70% of U.S. adults now use their phones to access the web while shopping inside of 'brick and mortar' stores. Finally, retailers have seen a significant

increase in in-store pick-up with online orders leading to expanded sales inside the store. In addition, traditional ecommerce companies are finding innovative opportunities to expand their reach beyond the web. For example, Amazon has opened a number of pop-up stores and more permanent retail locations that serve as an extension of its online experience. Ecommerce companies are slowly learning that consumers' average purchase increases in-store driven by the more personalized, human experience. As such, we anticipate that both retailers and advertisers will continue the trends of trying to extend ecommerce shopping into the physical world.

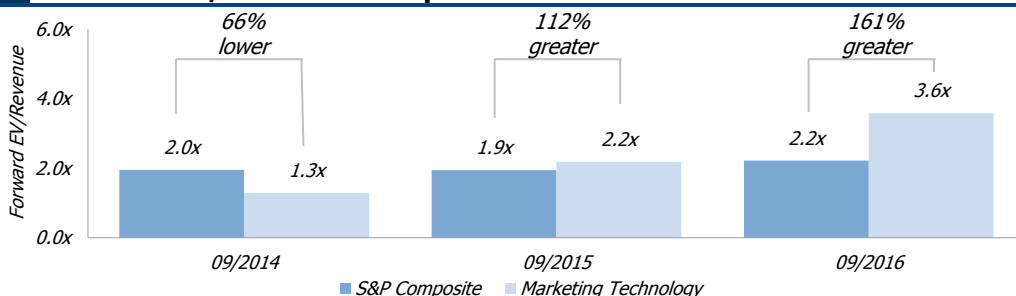
Sources: Forrester Research

### Sector Spotlight: Data-driven Marketing Services



Note: Revenue forecasts based on analyst consensus estimates

### Forward EV / Revenue Multiples



Note: Revenue forecasts based on analyst consensus estimates

## Lincoln International Marketing Technology &amp; Services Index

Company Name	Stock Price	% of 52 Week High	Market Cap	Enterprise Value	LTM		YoY Revenue Growth	EBITDA Margin	Enterprise Value / LTM	
					Revenue	EBITDA			Revenue	EBITDA
Marketing Agencies										
Dentsu Inc.	\$50.46	71.3%	\$14,387	\$15,165	\$7,837	\$1,652	164.5%	21.1%	1.9x	9.2x
Havas SA	8.46	91.2%	3,549	3,664	2,489	398	10.0%	16.0%	1.5x	9.2x
MDC Partners Inc.	85.00	97.1%	20,106	24,318	15,244	2,249	0.2%	14.8%	1.6x	10.8x
Omnicom Group Inc.	75.67	96.8%	17,012	19,865	10,897	1,970	15.9%	18.1%	1.8x	10.1x
Publicis Groupe SA	22.35	90.0%	8,956	10,379	7,722	1,050	1.6%	13.6%	1.3x	9.9x
The Interpublic Group of Companies, Inc.	23.62	96.7%	29,795	35,925	17,193	2,545	(8.1%)	14.8%	2.1x	14.1x
WPP plc	\$50.46	71.3%	\$14,387	\$15,165	\$7,837	\$1,652	164.5%	21.1%	1.9x	9.2x
Mean		90.5%					30.7%	16.4%	1.7x	10.5x
Digital Marketing										
Alibaba Group Holding Limited	\$105.79	96.3%	\$264,475	\$267,564	\$17,008	\$6,148	30.7%	36.1%	15.7x	NM
Alphabet Inc.	804.06	98.2%	543,411	472,740	81,761	26,903	17.5%	32.9%	5.8x	17.6x
Bankrate, Inc.	8.48	53.7%	765	938	384	89	46.3%	23.1%	2.4x	10.6x
Facebook, Inc.	128.27	94.6%	368,348	345,055	22,160	11,075	51.4%	50.0%	15.6x	31.2x
LendingTree, Inc.	96.91	73.5%	1,142	982	337	42	76.3%	12.6%	2.9x	23.1x
QuinStreet, Inc.	3.02	47.9%	138	99	298	(6)	5.5%	(2.1%)	0.3x	NM
Twitter, Inc.	23.05	72.3%	16,140	14,172	2,476	(5)	39.2%	(0.2%)	5.7x	NM
Yahoo! Inc.	43.10	95.9%	41,022	35,939	4,894	151	0.5%	3.1%	7.3x	NM
Mean		79.1%					33.4%	19.4%	7.0x	20.6x
Marketing Technology										
Adobe Systems Incorporated	\$108.54	98.9%	\$53,969	\$51,439	\$5,552	\$1,647	21.7%	29.7%	9.3x	31.2x
Bazaarvoice, Inc.	5.91	98.8%	489	440	201	(10)	3.6%	(4.9%)	2.2x	NM
Criteo SA	35.11	73.4%	2,234	1,873	1,538	142	25.3%	9.2%	1.2x	13.2x
Marin Software Incorporated	2.52	60.7%	97	64	108	(8)	2.3%	(7.7%)	0.6x	NM
Rocket Fuel Inc.	2.64	47.1%	117	130	459	(16)	(1.5%)	(3.6%)	0.3x	NM
salesforce.com, inc.	71.33	84.4%	48,326	49,667	7,475	560	25.1%	7.5%	6.6x	NM
Tremor Video, Inc.	1.71	77.7%	90	40	165	(13)	2.3%	(7.9%)	0.2x	NM
YuMe, Inc.	3.97	91.1%	136	74	173	(5)	(4.4%)	(3.0%)	0.4x	NM
Mean		79.0%					9.3%	2.4%	2.6x	22.2x
Traditional Marketing Communications										
Cenveo Inc.	\$7.05	43.0%	\$60	\$1,100	\$1,736	\$144	1.1%	8.3%	0.6x	7.6x
Cimpress N.V.	101.18	97.1%	3,200	4,011	1,788	231	19.7%	12.9%	2.2x	17.4x
InnerWorkings Inc.	9.42	93.5%	506	586	1,075	42	8.3%	3.9%	0.5x	14.1x
Quad/Graphics, Inc.	26.72	90.6%	1,337	2,531	4,605	492	(4.2%)	10.7%	0.5x	5.1x
R.R. Donnelley & Sons Company	47.16	79.3%	3,293	6,636	11,144	1,023	(3.3%)	9.2%	0.6x	6.5x
Mean		80.7%					4.3%	9.0%	0.9x	10.1x
Data-Driven Marketing Services										
Acxiom Corporation	\$26.65	97.8%	\$2,063	\$2,095	\$868	\$85	6.5%	9.8%	2.4x	24.5x
Aimia Inc.	6.29	64.8%	958	1,152	1,818	81	(9.3%)	4.4%	0.6x	14.3x
Alliance Data Systems Corporation	214.53	70.6%	12,556	29,821	6,763	1,552	14.5%	22.9%	4.4x	19.2x
comScore, Inc.	30.66	59.7%	1,753	1,639	369	37	5.1%	10.1%	4.4x	NM
Experian plc	20.11	97.5%	18,977	21,777	4,550	1,404	(3.9%)	30.9%	4.8x	15.5x
Harte-Hanks Inc.	1.62	37.2%	100	156	474	18	(5.1%)	3.7%	0.3x	8.9x
Nielsen Holdings plc	53.57	95.8%	19,143	27,016	6,238	1,543	0.3%	24.7%	4.3x	17.5x
Mean		74.8%					1.1%	15.2%	3.0x	16.7x

Sources: Bloomberg, Capital IQ and company filings, as of 9/30/2016

**10/10/16:**  
**Learfield Communications,** an integrated marketing solutions provider in college sports, has entered into a definitive agreement to be acquired by **Atairos Group, Inc.** from **Providence Equity Partners,** with an expected price tag of \$1.2-\$1.3 billion.

## Market Intelligence

**09/26/16: Duolingo,** a language-learning platform with more than 150 million global users, is building towards an IPO according to co-founder and CEO Luis von Ahnis despite its standing as a highly attractive target for a number of large strategic acquirers in the marketing services space.

**09/01/16: Twitter (NYSE:TWTR)** co-founder Evan Williams, who is the firm's largest shareholder and sits on the board, said in an interview that the social media company should consider all strategic options, including an acquisition or merger.

**08/29/16: Spar Group (NASDAQ:SGRP),** a retail merchandising and marketing services company, announced the appointment of R. Scott Popaditch as president and CEO. Popaditch has a proven track record in M&A,

previously leading the sales of Serv Corp, IQ Reports and ICC Capital.

**07/25/16: Yahoo! Inc. (NASDAQ:YHOO)** announced the sale of its core operating business to **Verizon Communications Inc. (NYSE:VZ)** for \$4.8 billion. Verizon, the United States' largest wireless provider, believes that combining Yahoo! with another formerly dominant website, AOL, will give it an edge in mobile content and advertising technology that can be leveraged across its 140+ million subscribers.

**07/11/16: Salesforce (NYSE:CRM)** announced it has completed the acquisition of Demandware, Inc., the global cloud leader in the digital commerce market. Through the acquisition, salesforce is looking to compete with Amazon and eBay for market share in ecommerce enablement.

**Dentsu Aegis Network** has acquired a majority stake in **Merkle**, a performance marketing agency, at a \$1.5 billion valuation.

## Select Q3 M&A Activity

### Q3 Spotlight Transaction

Merkle, the Baltimore, Maryland-based digital agency specializing in customer relationship marketing, is the 10<sup>th</sup> member of the Dentsu Aegis Network, an international group of agencies providing digital marketing and communication services. The group continues its aggressive buying spree, making more than 80 acquisitions in the past three years with Merkle now adding “a powerful range of data led, fully addressable and real time capabilities,” according to Dentsu Aegis CEO Jerry Buhlmann.

Merkle CEO David Williams, who will remain CEO as the company continues to operate independently, explained the approach as Merkle considered a new investment partner. “We sought a fit that would complement our vision, escalate our brand and provide growth opportunities, while also valuing Merkle’s unique strengths and culture. Becoming a part of the Dentsu Aegis Network further strengthens our position and allows us to accelerate our goal of being a world-class performance marketing agency.”

### Select M&A Transactions

(\$ in millions)

Closed	Target	Target Description	Acquirer
Announced	Newegg, Inc.	Operates an online retail portal for electronic products	Hangzhou Liaison Interactive Information Technology Co., Ltd.
Announced	Saepio Technologies, Inc.	Provides marketing technology solutions	BrandMuscle, Inc.
Announced	Merkle, Inc.	Operates as a performance marketing agency	Dentsu Aegis Network, Ltd.
Announced	Apigee Corporation	Develops a software platform that enables API-based digital strategies and business insights	Alphabet, Inc.
Announced	BeyondCore, Inc.	Develops automated analytics software	salesforce.com, inc.
Announced	Yahoo! Inc., Operating Business	Comprises the core internet business of Yahoo! Inc.	Verizon Communications, Inc.
Sep-16	WhatCounts, Inc.	Operates as an email marketing company	Output Services Group, Inc.
Sep-16	Avid Media, Ltd.	Provides content marketing and native distribution	Dentsu Aegis Network, Ltd.
Sep-16	Flipside	Provides mobile platform expertise as well as creative and technical services	Weber Shandwick
Sep-16	Number 42 AS	Provides real-time content analytics	plista GmbH
Sep-16	TDA Group	Operates as a B2B marketing and advertising agency	The Marketing Group plc
Sep-16	Addiction Advertising	Operates as an advertising agency	The Marketing Group plc
Sep-16	Perfect Relations	Provides image management and communication services	Dentsu Aegis Network, Ltd.
Sep-16	Accordant Media, LLC	Operates as a media buying and optimization company	AMNET, Ltd.
Sep-16	API.AI	Provides advanced tools to developers to help build conversational voice interfaces	Alphabet, Inc.
Sep-16	Acxiom Impact	Provides data-driven, one-to-one email and cross-channel marketing solutions	Zeta Interactive Corporation
Aug-16	Orbitera, Inc.	Operates as a cloud marketplace and sales platform	Alphabet, Inc.
Aug-16	Precision Dialogue, Inc.	Provides analytics-driven multi-channel marketing services, customer insights and information services	R.R. Donnelley & Sons Co.
Aug-16	Sizmek, Inc.	Operates an online ad campaign management and distribution platform	Vector Capital
Aug-16	PMX Agency	Operates as an integrated digital marketing agency	Stagwell Media
Jul-16	Aimia Inc., Enhancement Services Business Unit	Provides marketing and enhancement services and consumer solutions	Sigma Group
Jul-16	Dominion Marine Media, LLC	Provides web services, portal advertising and marketing solutions	Apax Partners LLP
Jul-16	Gyro, LLC	Operates as an advertising agency	Dentsu Aegis Network, Ltd.

Source: Capital IQ, Mergermarket, Company Filings as of 9/30/2016

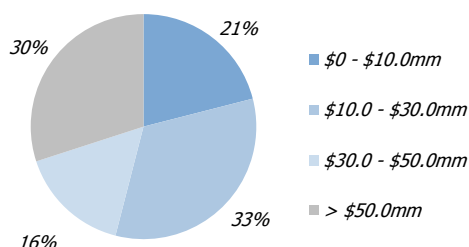
## The Lincoln VOG Database – Lincoln's Perspectives on the Mid-Market

### About The Lincoln VOG Database:

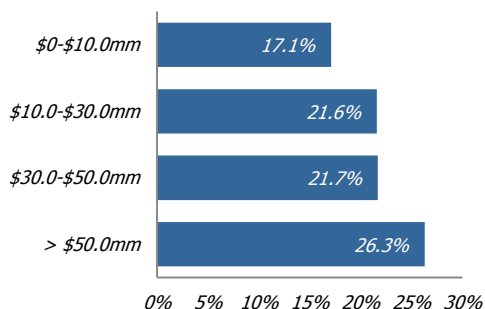
Lincoln maintains an extensive proprietary database in connection with its quarterly portfolio valuation activities by the Valuations and Opinions Group, containing financial data for a diverse group of companies across ten primary industry segments. The database offers a glimpse into the mid-market where reliable data is otherwise limited. Valuation metrics reflect observed transaction multiples. Financial results reflect information available at the end of each calendar quarter (typically, financial statements for one or two months preceding the end of the period). The database contains nearly 800 mid-market companies.

## Trends by Size (LTM EBITDA)

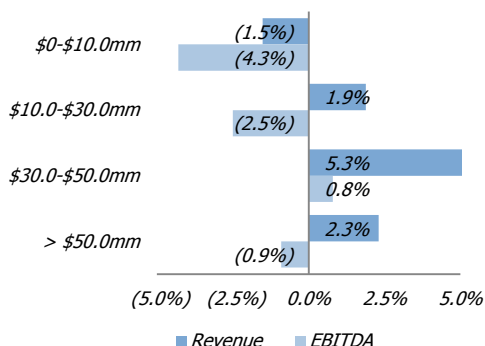
Distribution by Size



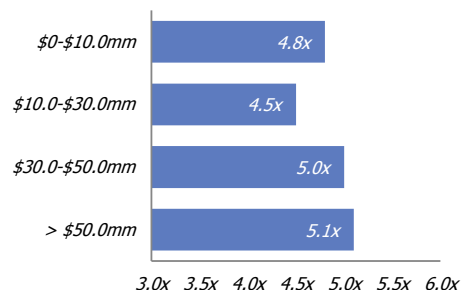
Average LTM EBITDA Margin by Size



Quarter over Prior Year Quarter Revenue and EBITDA by Size

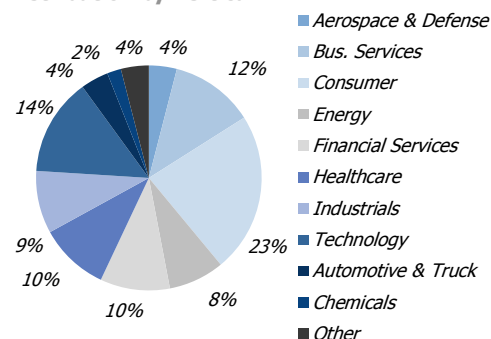


Average Current Leverage by Size

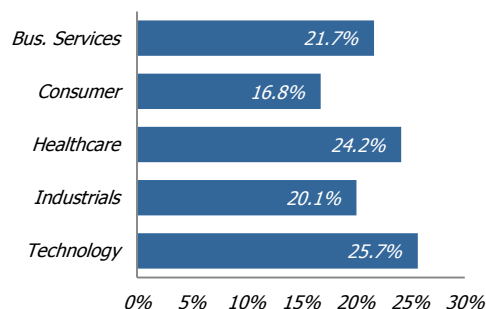


## Trends by Industry Vertical

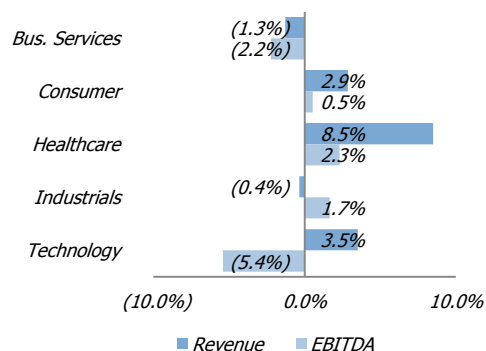
Distribution by Vertical



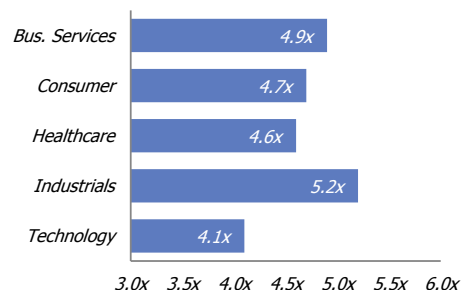
Average LTM EBITDA Margin by Vertical



Quarter over Prior Year Quarter Revenue and EBITDA by Vertical



Average Current Leverage by Vertical





## Global Industry Groups

Aerospace & Defense  
Automotive & Truck  
Building &  
Infrastructure Business  
Services Chemicals  
Consumer  
Distribution  
Education Services  
Electronics  
Energy & Power  
Financial Institutions  
Food & Beverage  
Healthcare  
Industrials  
Packaging  
Technology & Media

## Global Locations

Amsterdam  
Beijing  
Chicago  
Dallas  
Frankfurt  
London  
Los Angeles  
Madrid  
Milan  
Moscow  
Mumbai  
New York  
Paris  
São Paulo  
Tokyo  
Vienna  
Zurich

## Advisory Services

Mergers & Acquisitions  
Debt Advisory  
Special Situations  
JV & Partnering  
Valuations & Opinions

# About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, debt advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and pension advisory services on a wide range of transaction sizes. With seventeen offices in the Americas, Asia and Europe, Lincoln International has strong local knowledge and contacts in key global economies. The firm provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information can be obtained at [www.lincolninternational.com](http://www.lincolninternational.com).

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