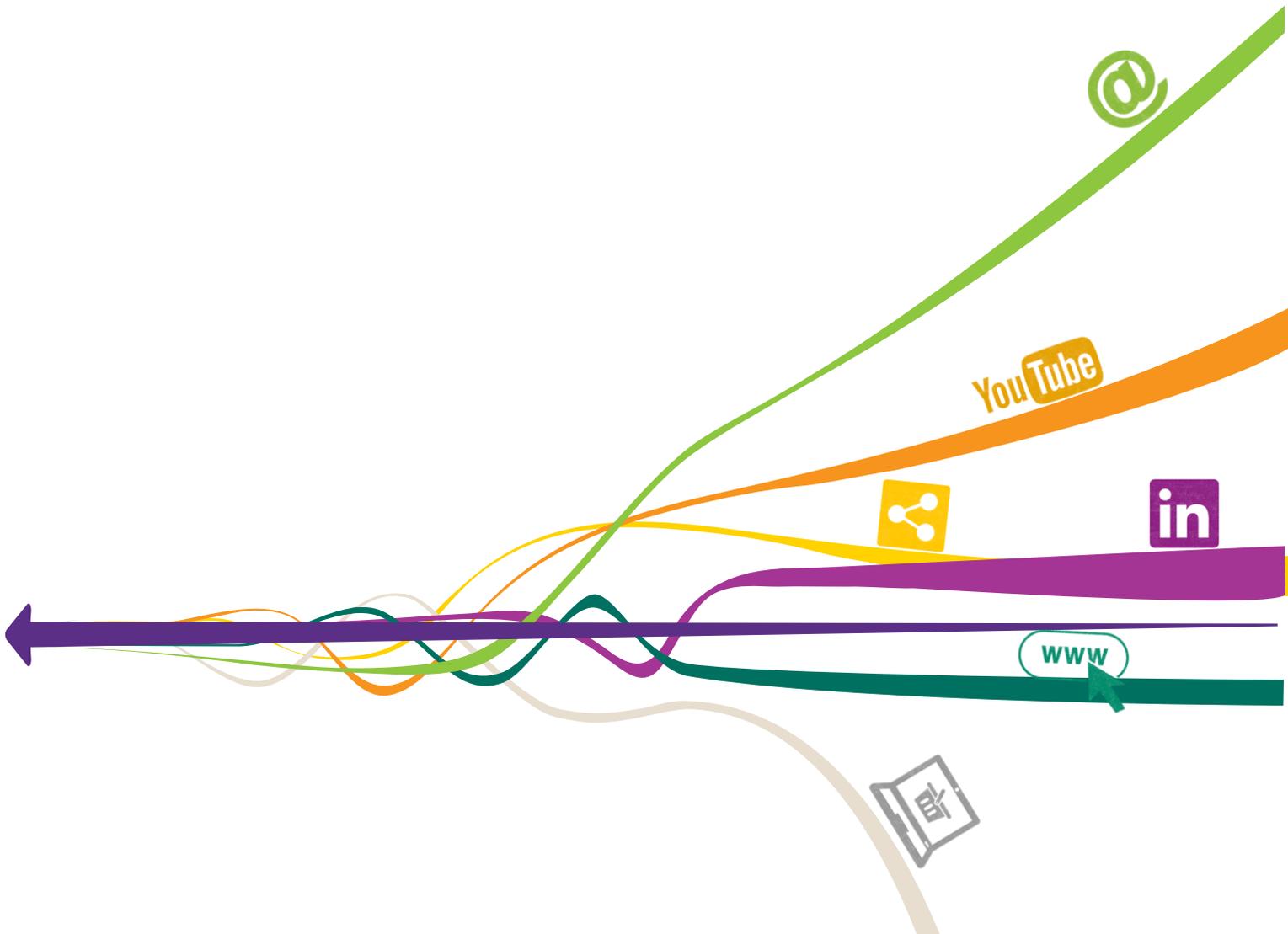


A look back

2015 a busy year for M&A

M&A digital marketing report



Last year has been a good year for the M&A market in general, as well as healthy M&A activity observed in the Digital Marketing sector. After two years of sustained growth, M&A activity reached its highest level in 2014 since pre-2010. M&A value in 2H2014 was also very high, mainly due to two multi-billion dollar deals in the last quarter, consisting of the \$3.7 billion acquisition of Sapient by Publicis Group and the \$2.4 billion acquisition of Conversant (formerly known as ValueClick) by Alliance Data.

In the 1H2015 deal volume decreased modestly, despite the \$4.3 billion acquisition of digital media/advertising technology company AOL by Verizon. Nevertheless, deal volumes bounced back with approximately 14% during 2H2015 (Hampton Partners, 2015).

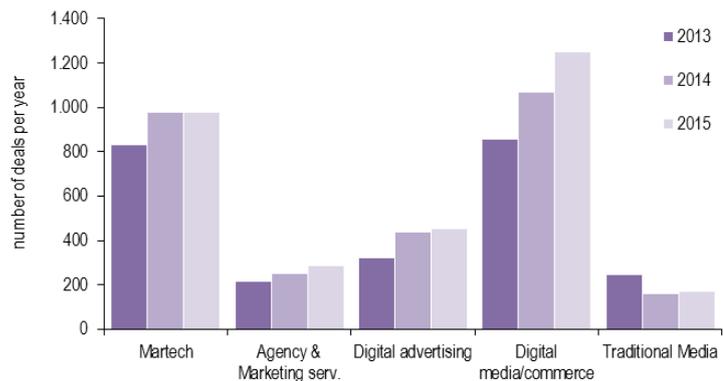
Investment bankers, Petsky Prunier, conclude in earlier research that digital marketing segments digital media/commerce and marketing technology were the most active M&A segments in 2015. Marketing technology deals accounted for approximately one third of total deals activity in the marketing, media and technology industries. Most active martech subsegments analytics & targeting and content management, accounted for 21% and 13% of all martech deals, respectively. M&A value in Business Intelligence tools significantly improved in 2015.

Most active digital media/commerce subsegments were eCommerce and mobile content/apps, accounting for 38% and 21% of all martech deals, respectively. M&A value in digital media/commerce was the highest reported segment, totalling \$70.3 bn, driven by subsegments eCommerce and online classifieds.

Digital advertising subsegments digital video, mobile marketing and comparison shopping show strong growth in both M&A activity as well as deal value. Unsurprisingly, M&A volume and value in traditional media segments decline significantly in 2014-2015. Interestingly, the research concludes that the majority of all transactions (94%) involved a strategic buyer. Private equity firms completed 75 transactions in 2015, of which half of all 2H2015 PE transactions were in the marketing technology and agency segments.

Valuation multiples indicate that the Digital Marketing sector is becoming more mature. This is the fifth consecutive half-year, according to Hampton research, that revenue multiples have declined. This can be partly explained by the increasing amount of players in this industry and thus the increased competition which reduces valuations, unless there is a sophisticated marketing technology present. To the contrary, EBITDA multiples have been increasing again since 2H2014, indicating a market premium on profitable companies.

M&A activity: marketing, media and technology

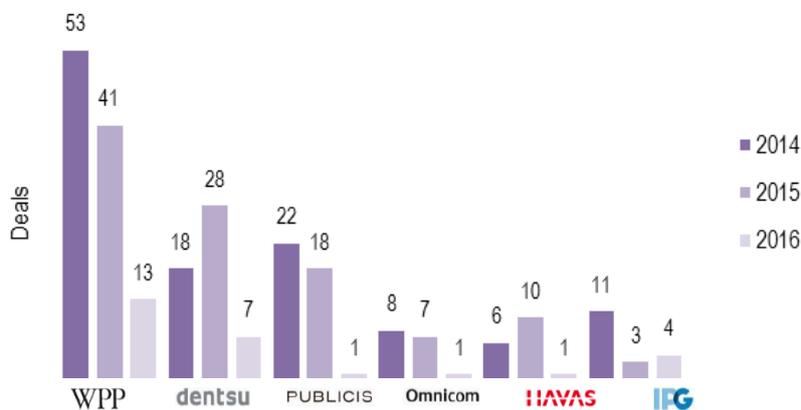


M&A value: marketing, media and technology

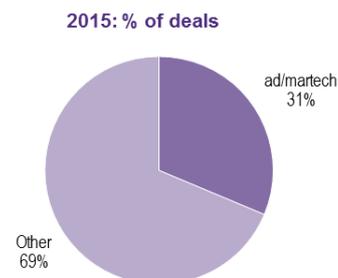
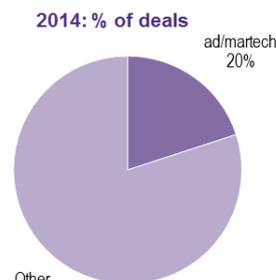


Source: Petsky Prunier, Summary M&A activity Marketing, Media and Technology industries 2013-2015

Amount of deals per media/com brand



Source: ThomsonOne, Grant Thornton



Media companies: increasingly involved in ad/mar tech deals

The large media/marketing/communication companies continue to be the most active buyers in the digital marketing sector. We have added the most acquisitive companies of 2015 to our sample, as confirmed by earlier reports (Ciesco Partners, Results International). WPP ended up to be the most active buyer in 2015 again, finishing before Dentsu, Publicis, Omnicom and Havas. Gravity4, an ad-tech firm, just recently entered the digital marketing space (mid-2014) but already completed several acquisitions. Other active ad/mar tech buyers include Accenture, Vista Equity Partners (private equity), Chinese LEO Group, Sprinkler and Comcast. Our research (see above) indicates that there is an increasing interest from media or communications companies in ad/mar tech target companies from 2014 towards 2015, as buyers are increasingly involved in ad/mar tech deals.

Geographical overview (Ciesco Partners, Global M&A review 2015)

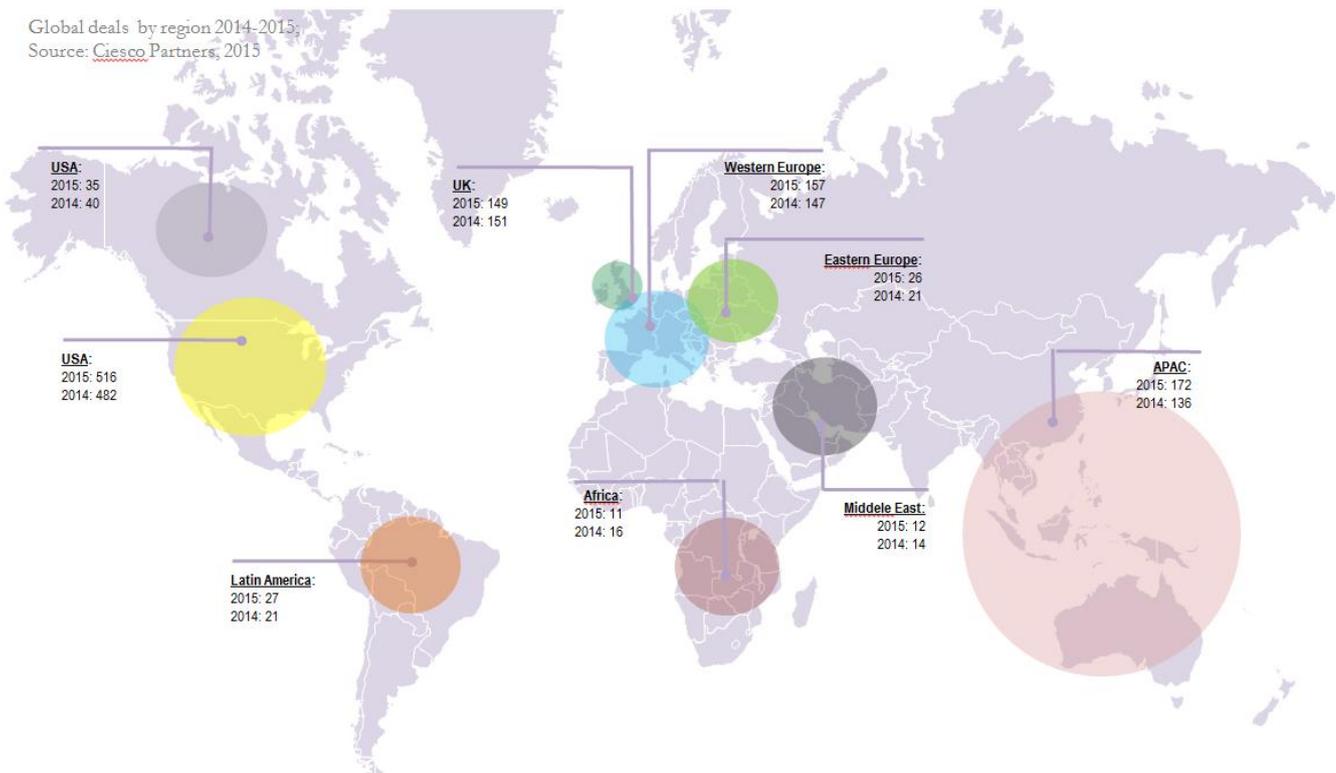
More than half of the total technology enabled media and marketing deals (2015: 1.105) in 2015 involved a US target. The Asia Pacific (APAC) region has overtaken UK and Western Europe and become the second most active regions behind the US. China, Australia and India remained the most active regions within the APAC, with few cross-border deals. The third most important region in terms of ad/mar tech deals was the United Kingdom, with circa 14% of the deals tracked involving a British target company.

Furthermore, interest in Western European (except UK) targets increased slightly from the previous year (2014: 13,3%; 2015: 14,2%).

Interestingly, within Western Europe there has been a substantial interest in French companies which accounted for nearly a quarter of the Western European ad/mar tech deals last year. Germany experienced weaker deal activity with an involvement in 20% of the Western European ad/mar tech deals. The Netherlands observed an increase in Western European ad/mar tech deals (2014: 7%; 2015: 10%). Other popular M&A targets were situated in the Nordic region and Italy (2014: 4%; 2015: 7%).

Another reputable source for digital marketing deals, Results International, documents a total of 411 ad/mar tech deals with more than half of the deals involving a US target (2015: 54%). They documented that 16% and 6% of total ad/mar tech deals involved a Western European target and UK target, respectively. Interestingly, about 7% of these ad/mar tech deals were backed by private equity. Hampton Partners confirmed that about 21% of the digital marketing deals involved a European target, of which 34% were acquired by North American companies.

Approximately a third of the global technology enabled media and marketing deals consisted of a cross-border deal (2014: 36%; 2015: 32%). Despite less cross-border deals, the aggregate disclosed deal value for cross-border transactions actually increased. Results International also confirmed that approximately one third of the total ad/mar tech deals were cross-border (2015: 32%).



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