



Solganick & Co.

Technology and Digital Media
Investment Banking + M&A Advisory



Digital Media M&A Update

Q3 2016

October 28, 2016

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Solganick & Co.'s Digital Media Investment Banking group covers sub-industry sectors including marketing and ad tech, eCommerce/internet, digital and advertising agencies, video game software, digital media software, and media conglomerates.

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Sources for our research and data include: PitchBook, MergerMarket, Wall Street Journal, Company Websites, SEC Filings, Bloomberg, TechCrunch

M&A Market Brief

Digital Media M&A Activity reaches 3rd highest value in Q3 2016 since recession

Worldwide

Global M&A activity during the third quarter of 2016 improved 8.8% over that of the second quarter. Due to political uncertainty, increased regulation, and decreased confidence by boards, 2016 YTD activity is down 20.2% from last year.

Global deal value for Q3 2016 rose to \$812.9 billion from \$747.2 billion in Q2 2016. Global M&A deal value YTD is down to 2.2 trillion compared to 2.8 trillion in 2015.

Industrial & Chemicals has been the most active sector this year with a 41.1% increase in deal value YTD. A record high 7 mega-deals worth \$183.6 billion has pushed M&A activity to a post crisis high, creating more M&A opportunities for PE buyers and sellers.

- **Although Brexit caused major economic uncertainty, the concurrent drop in the sterling following the decision to leave the EU caused opportunistic dealmakers to engage in a bargain hunt for UK assets.** As a result of a few megal deals, Q3 M&A activity skyrocketed from 12.9 billion in Q2 to 49.3 billion in Q3.

United States

- **US M&A activity remained strong despite concerns over government anti-trust policies, the presidential election, and a possible interest rate hike**

- In Q3 2016, deal value totaled \$384.8 billion, compared to \$327.9 billion in Q2 2016 (17.4% increase).

- YTD 2016, US M&A deal value dropped 29.6% from \$1.4 trillion 2015 Q1-Q3 to \$962.4 billion YTD.

- The US was home to three of the five largest global transactions, including the highest valued deal: Bayer's \$65.3 billion acquisition of Monsanto. Overall, **the US captured 43.8% of the global market share, compared to 24.1% for Europe and 22% for Asia.**

- The US technology industry experienced a slight decrease in M&A activity. In Q1-Q3 2016, technology deal value dropped to \$141.1 billion compared to \$150.3 billion in 2015 YTD (8.8% decrease). However, digital media increased!

Digital Media

The digital media sector took home the largest share of the Marketing, Media, and Technology industry with \$23.1 billion (43.8% of MMT sectors).

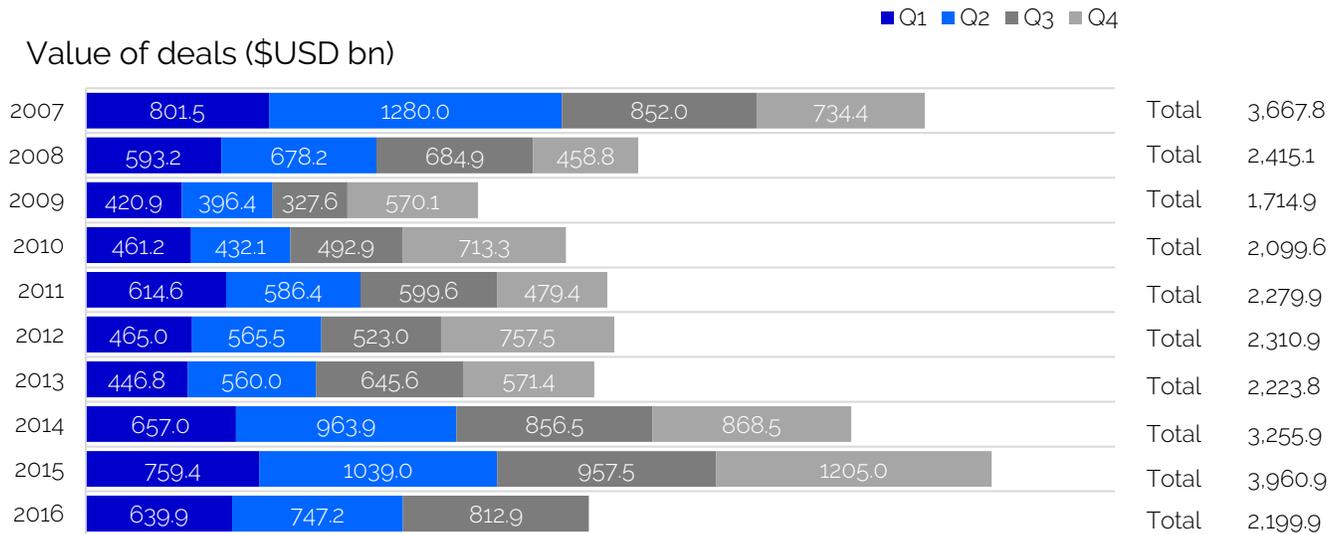
Q3 value increased to \$23.1 billion from 21.7 billion in Q2 (if you exclude the Microsoft-LinkedIn and Supercell-Tencent merger).

Deal volume decreased marginally from 322 to 318 in Q3 2016.

Strategic acquirers accounted for 93% of deal volume in Q3 2016.

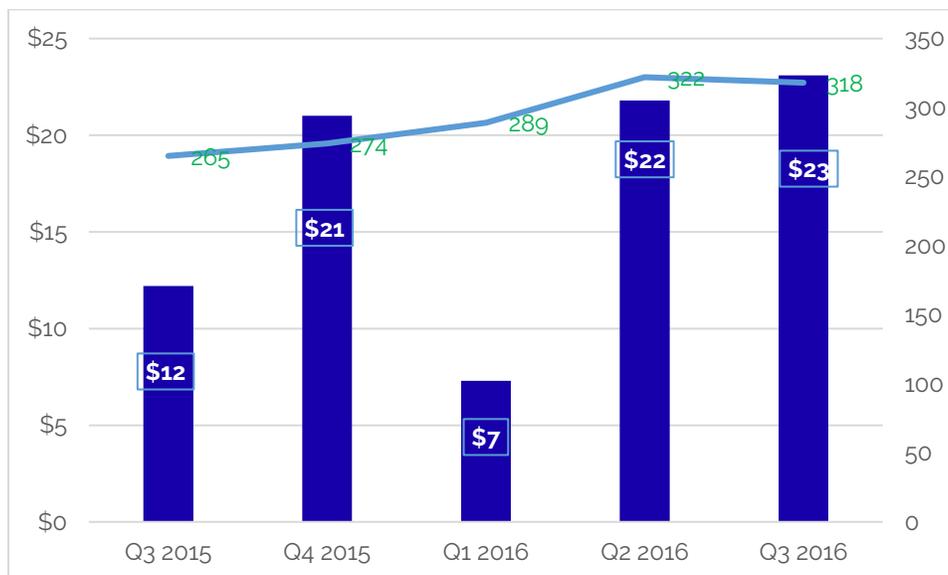
Ecommerce made up the largest portion of the Digital Media sector with 50% of deal value and 37% of deal volume.

Global M&A Deal Value – Quarterly Comparison



Source: MergerMarket

Digital Media M&A Activity – Quarterly Comparison



Source: Petsky Prunier

Digital Media M&A Drivers 2016-2017

Cross Device Optimization: Over half of local searches happen over mobile devices “ i.e. restaurants near me.” Since 2008, the average American adult has increased his mobile device usage 1000% from .3 hours daily to 2.8 hours daily and doubled their total time on digital media from 2.7 hours daily to 5.8 hours daily. 97% of Millennials are mobile users while 20% do not use a desktop or laptop at all. Businesses that incorporate a mobile friendly website are much more likely to win over potential customers.

Artificial Intelligence: Digital marketing has taken a Darwinian approach with AI since newer algorithms can evolve ads by gauging customer reactions to different creative features such as different copy, colors, fonts, and images. Features that do not engage a user are removed while the others are kept in circulation for future executions of the ad. Automated creativity is already entering the mainstream; the Associated Press has already used a “robot” journalist to publish financial news from financial data. In the future as computer creativity becomes more advanced, ads may start to write themselves from scratch.

Digital Agency M&A Drivers 2016

Non-Media Companies Acquiring Digital Agencies: Non-media companies are breaking into the digital marketing sector through strategic acquisitions. IBM purchased Apertio in February for its existing digital marketing services and to expand its list of clientele. The acquisition has improved IBM's consultative services, increased its market presence in Europe, and strengthened its ability to cross-sell to major customers, Airbus and Volkswagen. Ebay completed a similar transaction with Cargigi in March while Accenture has acquired a handful of digital agencies this year.

Sources:

<http://localvox.com/blog/digital-marketing-trends-2017/>

<https://www.fastcocreate.com/3048944/this-worlds-first-artificially-intelligent-ad-is-a-test-of-automated-creativity>

Notable Digital Media M&A Transactions, Q3 2016

Deal Date	Company Name	Investors	Description	Deal Size (million, USD)	EV/Revenue	EV/EBITDA
28-Sep-2016	TRADER (Car Market)	Thoma Bravo	Provider of digital advertising tools	1,202.89		
22-Sep-2016	Cohort Global	Pureprofile	Operator of digital marketing business	28.03	1.36x	5.87x
19-Sep-2016	Jet	Walmart	Operator of an e-commerce website	3,300.00	3.30x	
19-Sep-2016	IdealShape	BlackRock	Online retailer of nutrition products	112.04	1.87x	
14-Sep-2016	Pontis	Amdocs	Provider of marketing services	87.50		
13-Sep-2016	Avocarrot	Glispa	Provider of a mobile advertising platform	20.00		
08-Sep-2016	Stickyeyes Group	IPG Mediabrands	Provider of digital marketing services	26.30	1.21x	
08-Sep-2016	New Energy Group	Accenture	Developer of digital marketing software			
01-Sep-2016	Optomaton	Ve Interactive	Operator of a video demand side platform	5.75		
31-Aug-2016	Peerius	Accel-KKR	Provider of website personalization software			
31-Aug-2016	Income Access Group	Paysafe Group	Provider of marketing services	30.78		
30-Aug-2016	IronPlanet	Ritchie Bros Auctioneers	Provider of an online marketplace for equipment	758.50		13.00x
16-Aug-2016	Marketo	Vista Equity Partners	Provider of customer engagement marketing software	1,800.00	7.60x	
11-Aug-2016	140 Proof	AcuityAds	Provider of a mobile based software platform	20.00	1.78x	13.33x
10-Aug-2016	Dollar Shave Club	Unilever	Provider of e-commerce site for razor blades	1,000.00	5.00x	
09-Aug-2016	Olapic	Monotype Imaging	Provider of a visual commerce platform	130.00		
04-Aug-2016	Ticketbis	eBay	Provider of an online ticket purchasing platform	165.00	3.67x	
03-Aug-2016	Pretty Girl Fashion Group	Alceon Group	Retailer of women's fashion brands	61.02		

Notable Digital Media M&A Transactions Cont. , Q3 2016

01-Aug-2016	Uber China	Didi Chuxing	Provider of a mobile application for transportation			
26-Jul-2016	Jabong	Myntra Designs	Operator of an online retailer	70.00	0.50x	
23-Jul-2016	Yahoo	Verizon Communications	Operator of an online information platform	4,830.00		
20-Jul-2016	Revenew	Marlin Equity Partners	Provider of an automation platform			
19-Jul-2016	ReachLocal	Gannett Company	Provider of online advertising services	156.00	0.45x	
19-Jul-2016	Inneractive	RNTS Media	Developer of advertising exchange software	72.00	0.72x	
14-Jul-2016	WIS Performance Media	iProspect	Provider of digital marketing services			
14-Jul-2016	Mastermind Involvement Marketing	SharkReach	Provider of digital marketing services	16.40	4.00x	
01-Jul-2016	ShippingEasy	Stamps.com	Provider of an online shipping application	55.00		
				Average	2.65x	9.69x

Source: Solganick & Co. Analysis, Pitchbook

Publicly Traded Digital Media Firms Valuation Table (as of 9/30/16)

Digital Media	Ticker	Stock Price	Market Cap	EV/Revenue	EV/ EBITDA
The Interpublic Group of Companies	IPG	\$22.35	\$9,005	1.3x	9.3x
Omnicom Group	OMC	\$85.00	\$20,477	1.5x	10.5x
Publicis Groupe	PUB	\$75.43	\$294	1.8x	10.5x
WPP	WPP	\$23.86	\$30,738	2.0x	12.2x
Average				1.7x	10.6x

Diversified Media	Ticker	Stock Price	Market Cap	EV/ Revenue	EV/ EBITDA
CBS Corporation	CBS	\$54.74	\$25,440	2.5x	13.0x
Comcast	CMCSA	\$66.34	\$162,135	2.9x	8.9x
News (Publishing)	NWS	\$13.98	\$8,117	0.8x	8.2x
Walt Disney Company	DIS	\$92.86	\$152,917	3.4x	11.3x
Time Warner	TWX	\$79.61	\$63,366	3.1x	11.6x
Twenty-First Century Fox	FOXA	\$24.22	\$47,059	2.3x	9.8x
Average				2.5x	10.5x

Internet	Ticker	Stock Price	Market Cap	EV/ Revenue	EV/ EBITDA
Amazon.com	AMZN	\$837.31	\$393,326	3.7x	46.2x
Apple	AAPL	\$113.05	\$626,390	2.9x	8.2x
Alibaba Group Holding	BABA	\$105.79	\$259,952	17.2x	48.6x
Alphabet	GOOGL	\$804.06	\$552,331	6.5x	20.0x
eBay	EBAY	\$32.90	\$38,682	4.7x	14.1x
Facebook	FB	\$128.27	\$363,357	19.4x	42.6x
IAC/InterActive	IAC	\$62.47	\$5,114	1.9x	16.2x
LinkedIn	LNKD	\$191.12	\$25,287	7.6x	84.1x
Netflix	NFLX	\$98.55	\$42,159	6.4x	117.0x
Yahoo	YHOO	\$43.10	\$40,712	7.2x	N/A
Average				7.8x	44.1x

M&A Spotlight



Walmart acquires eCommerce start up Jet for \$3.3 billion

August 8, 2016 – Walmart, the world's largest discount retailer, signed an deal with the e-commerce start up Jet. Walmart hopes the deal will spur growth for the company's web retail operations. The acquisition is the largest ever for an US e-commerce startup and is Walmart's attempts to compete with Amazon in terms of online shopping.

Walmart will pay \$3 billion in cash and \$300 million in Walmart shares. While Walmart lauched an online platform 15 years ago and has spent billions building its operations and distribution centers, e-commerce has always been of secondary importance to Walmart in relation to its brick and motor stores. Only \$14 billion of Walmart's sales (3% total) came from its web retail. On the other hand, Amazon's sales reached 107 billion total, with its e-commerce business growing 31% this year compared to Walmart's 7%.

After this deal, Walmart will have access to Jet's innovative pricing software and will allow it to go neck-to-neck with Amazon in e-commerce. As customers add more items to their shopping carts, Jet offers bigger discounts; this pricing method will help Walmart reach more customers, including millennial shoppers. Jet aims to compete on price with Amazon by fostering relationships with suppliers rather than maintain its own inventory. Jet's founder Marc Lore will join Walmart as the CEO of e-commerce and will maintain duties for both Jet.com and Walmart.com.

Source:<http://www.wsj.com/articles/wal-mart-to-acquire-jet-com-for-3-3-billion-in-cash-stock-1470659763>



Verizon to acquire Yahoo! for \$4.8 billion

July 25, 2016 – Verizon, the largest wireless telecommunications provider in American, has agreed to pay \$4.8 billion in cash for Yahoo, a search-engine site with over a billion active users. The acquisition will help the telecom company in its efforts to build a media company. Marni Walden, Verizon president of product innovation and new businesses, said "Yahoo gives us scale and that's what's most critical here. We go from being in the millions of audience to the billions. We want to compete and that's the place that we need to be, so we're very pleased with where we are today,"

The transaction comes as an addition to Verizon's AOL internet business, which the company acquired last year for \$4.4 billion, by giving it access to Yahoo's advertising technology tools, as well as other assets such as search, mail, messenger and real estate. Analysts have pegged synergies at close to \$1 billion, however AOL CEO Tim Armstrong said that was not the main focus of the Yahoo deal. "The strategy behind the deal is to really go after mobile and video and a lot of the global services – the services that AOL has and Yahoo has – at scale," Facebook and Google have become the dominant players within U.S. digital advertising markets while Microsoft, Yahoo and AOL are lagging far behind. Together, AOL and Yahoo would have about 5 percent of the digital ad market; however, Walden said she expects AOL and Yahoo to break out of their combined single-digit market share.

The deal is expected to close some time in the first quarter of 2017. Verizon will acquire Yahoo's operations but not its stake in Ali Baba or Yahoo Japan, valued together at over \$35 billion. Yahoo CEO Marissa Mayer plans to stay on to help see the company transition, but no formal decision has been made yet on her future employment.

Source: <http://www.cnn.com/2016/07/25/verizon-to-acquire-yahoo.html>



Media.net acquired by China-based Miteno Communication Technology for \$900M in mega adtech deal

September 21, 2016 - The flow of Chinese capital into foreign adtech companies increased with the acquisition of **Media.net** for \$900 million USD in cash. A consortium will be paying cash for the startup with key operation centers in New York City and Dubai. Eventually the company is set to be acquired from the consortium by **Miteno Communication Technology**, a Chinese tech conglomerate. The transaction is one of the largest ad-tech deals in history, ahead of notable exits like Google's \$750 million dollar acquisition of AdMob in 2010 and Twitter's \$350 million dollar acquisition of MoPub in 2013.

Media.net provides a suite of products for creating, targeting, and evaluating advertising campaigns. The company supports publishers by connecting them to relevant ads via their Yahoo! Bing network. Media.net's publisher inventory is available through major demand-side platforms and ad-exchanges.

The Chinese adtech space is particularly interesting because API integration with many of the largest Chinese technology companies is lagging their American counterparts. This is putting pressure on companies to find innovative ways to target advertising.

SharkReach



SharkReach acquires Mastermind Involvement Marketing

July 14, 2016 – SharkReach, Inc. entered into a definitive agreement to acquire 100% of the advertising and marketing agency, Mastermind Involvement Marketing, LLC. This transaction is structured in cash and stock, with Mastermind becoming a wholly owned subsidiary of SharkReach, Inc for \$16 million in total consideration including cash, stock and earn-out.

Headquartered in Atlanta, GA, Mastermind is a digital marketing agency that creates, designs and develops branding and marketing campaigns primarily for large corporate clients. Founded in 1984, it has been pioneering new ways to connect consumers with products and services. Its clients include Bayer, The Home Depot, Hanes, Macy's, Harley-Davidson, Citi and Staples.

SharkReach is a disruptive millennial media company that combines the strength of an influencer owned network with proprietary technology for creating, posting, managing and monitoring branded, sharable content. SharkReach is headquartered in Hermosa Beach, CA.

Solganick & Co. acted as exclusive M&A advisor to Mastermind Involvement Marketing, LLC on its sale to SharkReach (SHRK).

For more information on the transaction: <http://finance.yahoo.com/news/sharkreach-signs-16-million-merger-144100412.html>

About Solganick & Co.

Solganick & Co., Inc. is an independent investment banking and M&A advisory firm focused exclusively on the global software, IT services and digital media industry sectors. We advise buyers and sellers of companies and efficiently execute M&A transactions that help increase shareholder value. Our professionals have advised on \$20+ billion in M&A transactions to date and have current clients and relationships globally with entrepreneurs, companies and leading private equity firms within the sectors we cover.

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