



# Growth Trends in Digital Media

October 20, 2014



# Agenda

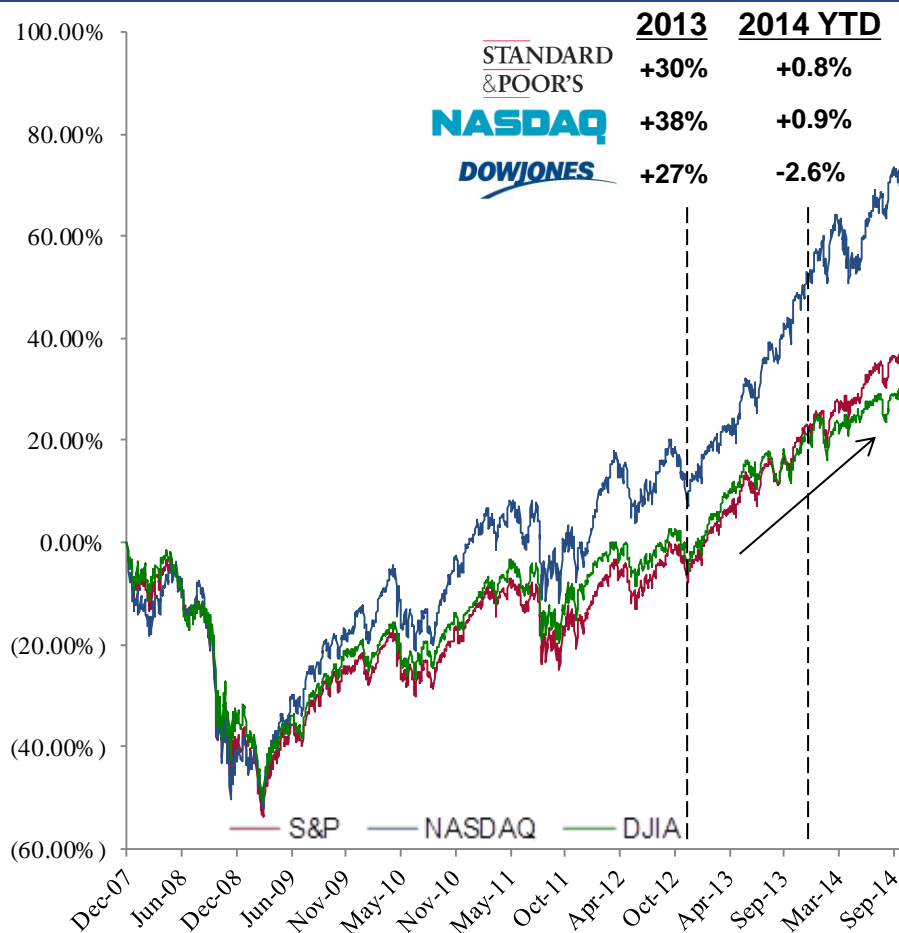
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- I. Market Overview**
- II. Digital Growth Drivers**
- III. Summary Thoughts**

# I. Market Overview

# U.S. Equity Market at a Glance

## U.S. Market Index Performance



## Performance of Internet Bellwethers

	Market Value (\$ in billions)	2014 YTD	Since 2008
Google	\$362	(4%)	56%
amazon.com	141	(23%)	230%
YAHOO!	38	(6%)	63%
ebay	62	(8%)	51%
facebook	203	34%	NA
Alibaba.com	211	26%	NA

## Recent Downward Correction/DJIA down 4.0% in last two weeks

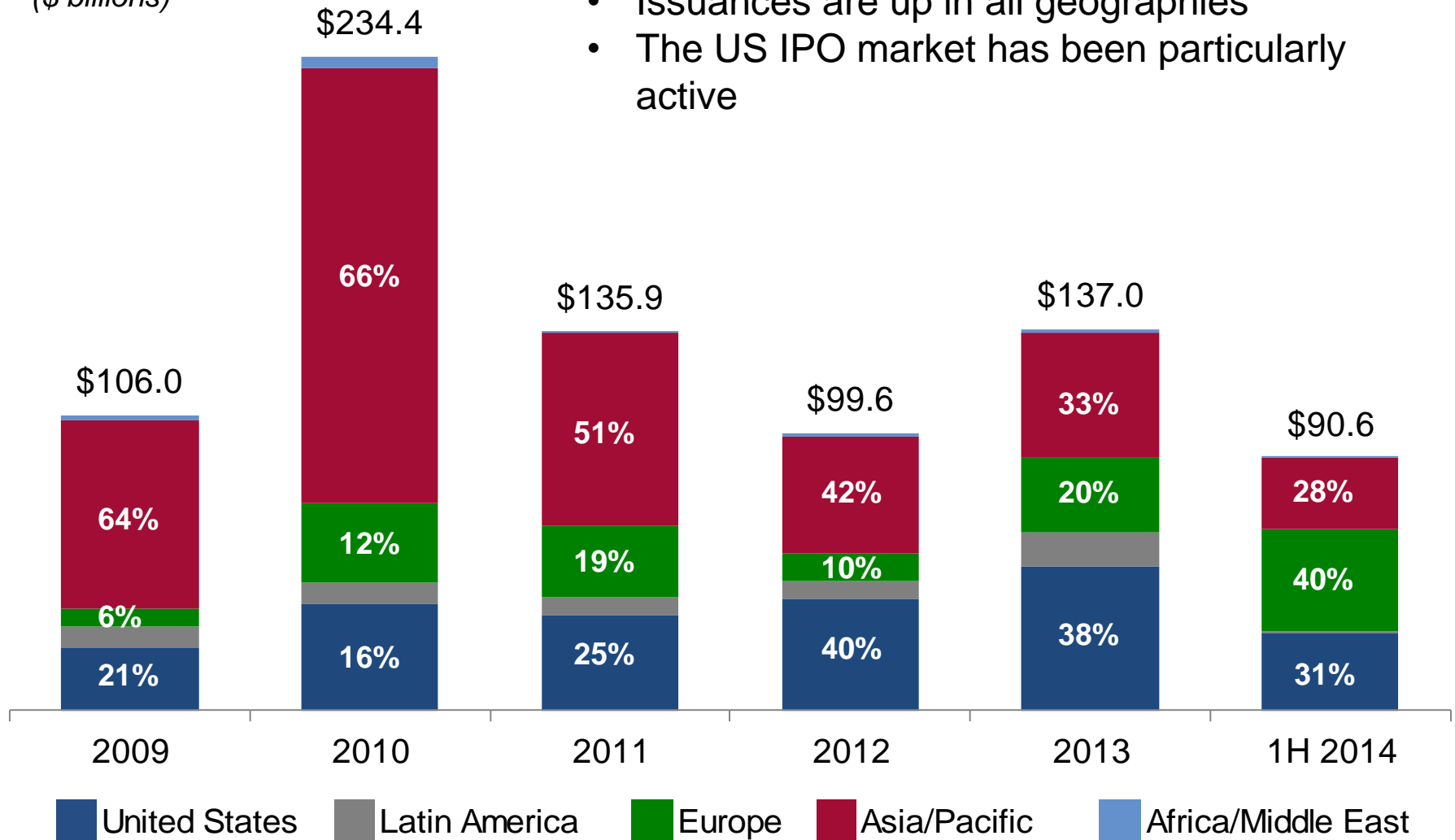
- Ebola outbreak concerns
- ISIS, Ukraine and Israeli conflicts
- Plunging oil prices

Source: Capital IQ, as of October 16, 2014.

# Global IPO Volume

(\$ billions)

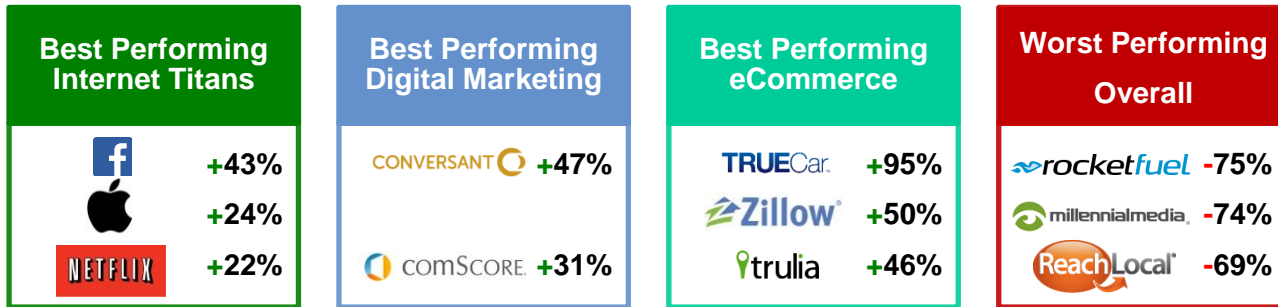
- Issuances are up in all geographies
- The US IPO market has been particularly active



Source: Capital IQ; Renaissance Capital; Annual Global IPO Reviews.

# Digital Media Equity Market Performance

- Performance has been very mixed: 82% of all Digital Media stocks ↓ this year
  - 50% of all Digital Media IPOs ↓ this year
  - AdTech has struggled



## Median Stock Price Performance of Digital Media Sectors

	Median % Change		
	2012	2013	2014YTD
Digital Media	+20.6%	+59.7%	(9.4%)
Internet Titans	+33.1%	+87.4%	(1.8%)
Digital Marketing	(31.2%)	+29.3%	(26.1%)
eCommerce	+23.4%	+80.5%	(5.6%)
Market Indices			
S&P 500	+13.4%	+29.6%	+0.8%
Dow Jones	+7.3%	+26.5%	(2.6%)
Nasdaq	+15.9%	+38.3%	+0.9%

# Digital Media Sector IPO Performance

(\$ in millions)				Market Cap	Price Performance	
Date	Company	Subsector	IPO Size	@ IPO	Day 1	Since IPO
<b>2014 (12)</b>						
Sep 18	Alibaba Group Holding Limited	eCommerce	\$21,767	\$167,620.4	38.1%	25.9%
Jul 18	Globant S.A.	Digital Agency	59	333.5	15.1%	32.1%
Jul 17	TubeMogul, Inc.	AdTech	44	200.8	64.3%	58.1%
May 21	JD.com, Inc.	Social	1,780	25,974.6	10.0%	27.9%
May 19	TrueCar, Inc.	eCommerce	70	639.3	5.6%	130.0%
Mar 21	Borderfree, Inc.	eCommerce	80	487.6	20.4%	(33.4%)
Apr 04	GrubHub Inc.	eCommerce	193	1,934.0	33.8%	42.2%
Mar 25	King Digital Entertainment plc	Digital Content	500	7,086.0	(15.6%)	(49.4%)
Apr 02	The Rubicon Project, Inc.	AdTech	102	520.7	32.3%	(35.8%)
Mar 06	Coupons.com Incorporated	eCommerce	168	1,170.7	87.5%	(15.3%)
Mar 28	Everyday Health, Inc.	Digital Content	100	415.5	(0.1%)	(19.2%)
Jan 24	Care.com, Inc.	eCommerce	91	505.7	46.5%	(52.0%)
<b>2014 Median</b>			<b>101</b>	<b>580.0</b>	<b>26.4%</b>	<b>5.3%</b>
<b>2013 (11)</b>						
Nov 14	zulily, Inc.	eCommerce	253	2,685.4	63.7%	72.8%
Nov 06	Twitter, Inc.	Social	1,820	14,162.1	72.7%	92.3%
Oct 29	Criteo SA	Ad Tech	251	1,714.2	14.2%	(4.8%)
Sep 19	Rocket Fuel Inc.	Ad Tech	116	942.3	93.4%	(41.9%)
Aug 06	YuMe, Inc.	Ad Tech	46	286.2	0.0%	(46.2%)
Jul 18	RetailMeNot, Inc.	Retail	191	1,054.3	31.9%	(15.0%)
Jun 26	Tremor Video, Inc.	Ad Tech	75	494.2	(15.0%)	(77.2%)
May 22	ChannelAdvisor	eCommerce	81	286.6	31.7%	(0.7%)
May 16	Marketo, Inc.	Marketing Auto	79	465.2	77.7%	126.9%
Mar 21	Marin Software	Digital Marketing	105	432.8	16.1%	(33.8%)
Mar 04	Professional Diversity	Social	21	29.1	(4.1%)	(46.1%)
<b>2013 Median</b>			<b>105</b>	<b>494.2</b>	<b>31.7%</b>	<b>(15.0%)</b>
<b>Overall Median</b>			<b>102</b>	<b>520.7</b>	<b>31.7%</b>	<b>(15.0%)</b>

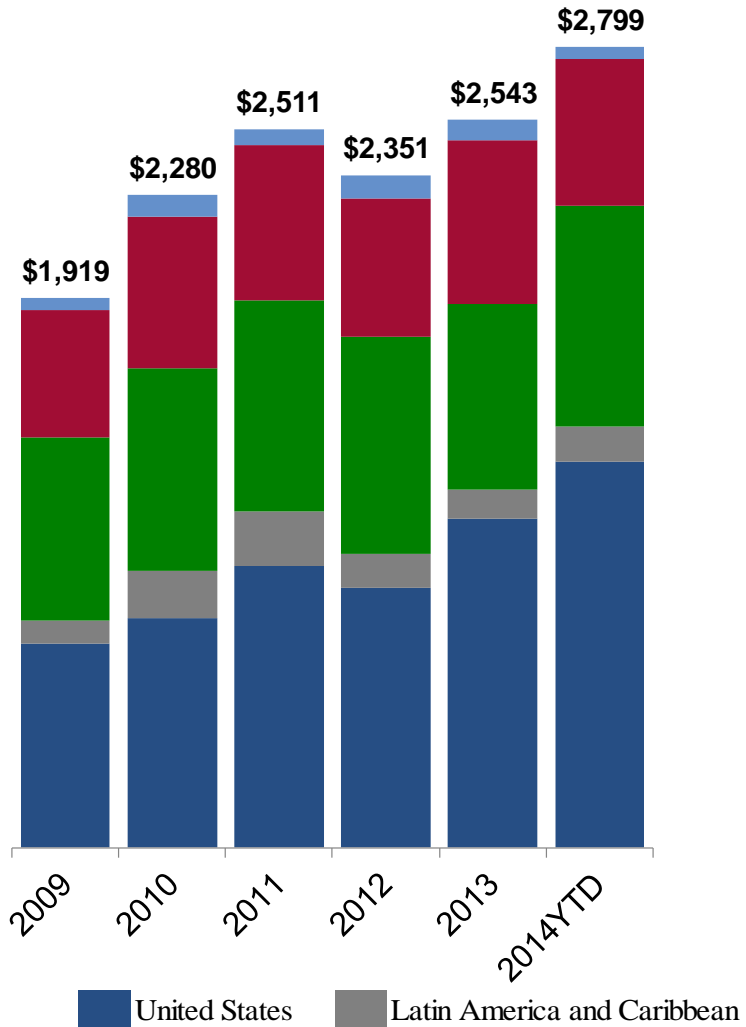
Source: Capital IQ, as of October 16, 2014.



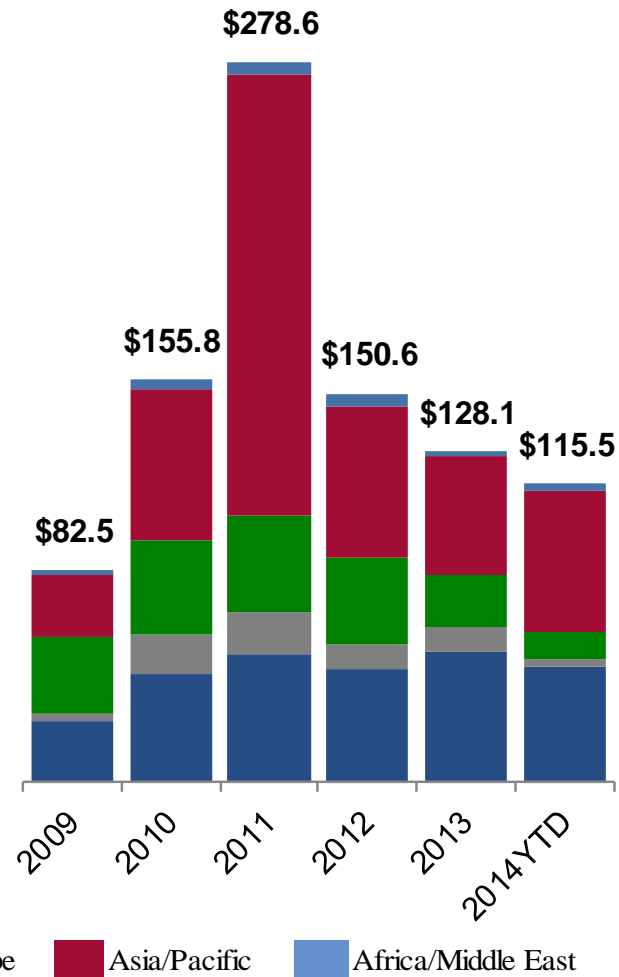


# Global M&A Deal Volume and VC Financings

## Global M&A Volume (\$ billions)



## Global VC Financings (\$ billions)



Source: Capital IQ; Annual Global IPO Reviews.

YTD as of September 25, 2014.



















# **Key Themes in the U.S. Digital Media M&A Market**

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- **AdTech** Consolidation Continues...still too many companies
- **Enterprise Software** Giants Continue to Build Out their Marketing Stack
- A Few **Traditional Strategics** Get “Digital Courage” via M&A
- Early M&A Deals in the “**Internet of Things**”
- **PE Firms** Place \$1 Billion+ Bets on **Traditional Marketing Services** Businesses






























# Top U.S. Digital Media Deals – YTD 2014

(\$ in Millions)

Date	Acquirer	Target	Size	Implied Enterprise Value to LTM	
				Revenue	EBITDA
Feb. 2014			\$19,500	NA	NA
Apr. 2014			3,305	19.0x	NA
Jun. 2014			2,600	13.1x	52.4x
Sep. 2014			2,448	4.12x	12.4x
Aug. 2014			1,827	30.9x	11.6x
Sep. 2014			1,000	NA	NA
May 2014			1,000	32.3x	NA
Aug. 2014			970	NA	18x
Sep. 2014			950	NA	NA

Source: Capital IQ

# Internet “Titans” M&A in 2014

Company	Mkt. Value (\$bn)	# Deals in 2014	Notable Deals
	\$40.7	28	   
	\$369.2	15	   
	\$37.6	12	   
	\$138.6	10	  
	\$69.0	4	  
	\$3.4	3	 
	\$181.5	2	 

Source: Capital IQ

# Key 2014 Digital Investment Themes













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- Niche **eCommerce** and Content Companies Still Getting Funded
- Companies Doing Record-Breaking **Late Stage Financings** as Alternative to **IPO**
- **Ad Tech M&A** Consolidation → Fewer **Ad Tech** Startups Doing Large Rounds
- **Data Analytics** and **Cloud Storage** Continue to See Many New Entrants

# Notable 2014 Digital Private Financings

(a)

(\$ in Millions)

Date	Company	Sector	Investors	Size	Implied Valuation
Jun. 2014		Mobile	BLACKROCK® KPCB	\$1,400	\$18,400
Aug. 2014		Content	A+E NETWORKS TCV TECHNOLOGY CROSSOVER VENTURES	500	2,500
Apr. 2014		eCommerce	ANDREESSEN HOROWITZ SEQUOIA	475	10,000
Mar. 2014		Mobile	DFJ ACCESS INDUSTRIES	285	1,100
Mar. 2014		Mobile	ANDREESSEN HOROWITZ Alibaba	250	950
May 2014		Social	ANDREESSEN HOROWITZ BESSEMER VENTURE PARTNERS	200	5,200
May 2014	AUTOMATTIC	Content	TIGER INSIGHT VENTURE PARTNERS	160	1,160
Jan. 2014		eCommerce	T.RowePrice	157	2,000
Jun. 2014		Content	Not Disclosed	150	2,300
Jul. 2014		Content	Alibaba	120	1,000
Jan. 2014		eCommerce	KPCB INSIGHT VENTURE PARTNERS	112	912
Mar. 2014		Ad Tech	SPRING LAKE EQUITY PARTNERS	100	NA
Sep. 2014		Mobile	ANDREESSEN HOROWITZ TIGER	100	6,000

Source: Capital IQ

(a) Selection criteria based on size and publicly available information. 14

## **II. Digital Growth Drivers**

# Sector

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**Mobile**

Ad Tech

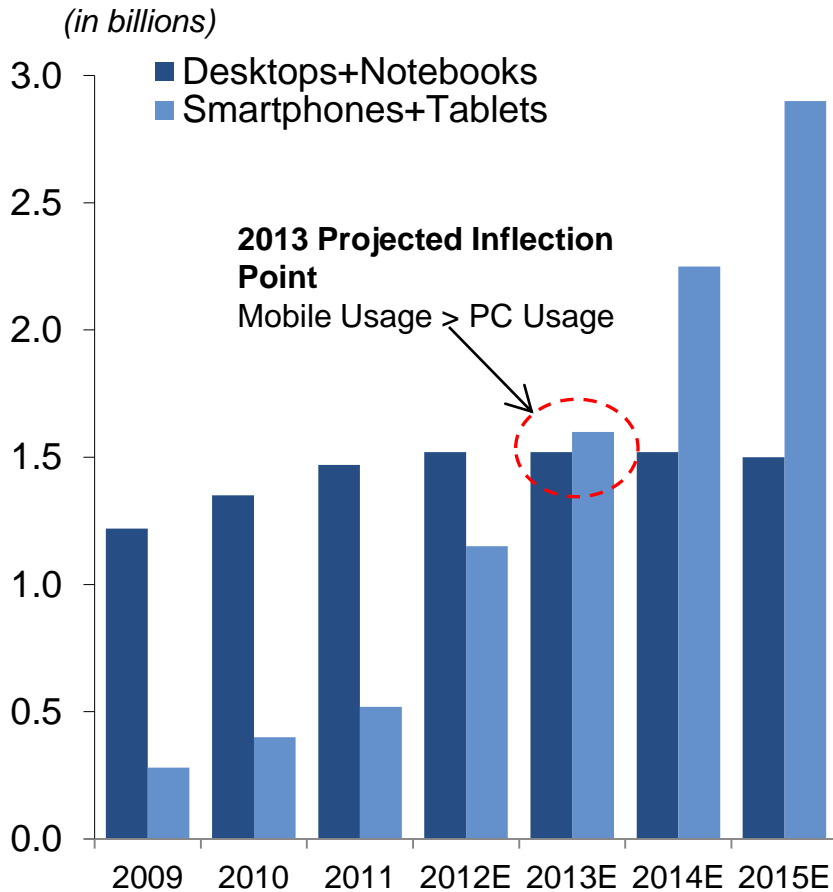
eCommerce

Marketing Automation



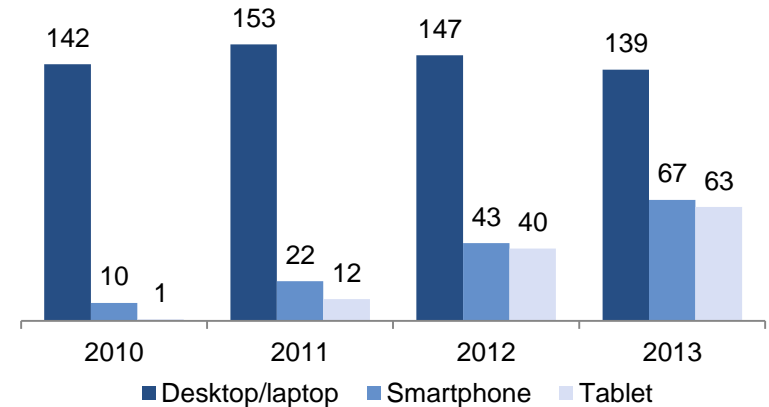
# Mobile = Most Important Broad Theme in 2014

## Global Installed Base



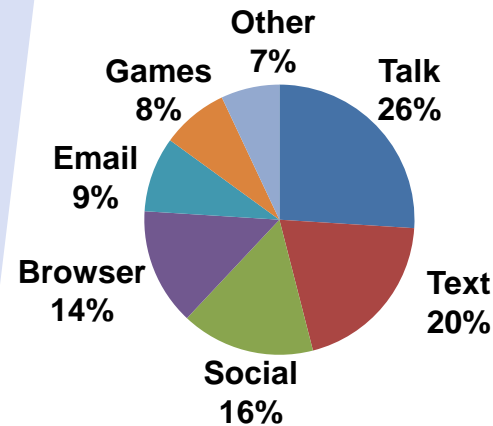
Note: Notebook PCs include Netbooks. Assumes the following lifecycles: Desktop PCs – 5 years; Notebook PCs – 4 years; Smartphones – 2 years; Tablets – 2.5 years. Source: Equity Research, 2012. Global data.

## Average Timespend Per Day (minutes)



Source: eMarketer, Jul. 2013. US Data

## Mobile Timespend is Spread Broadly



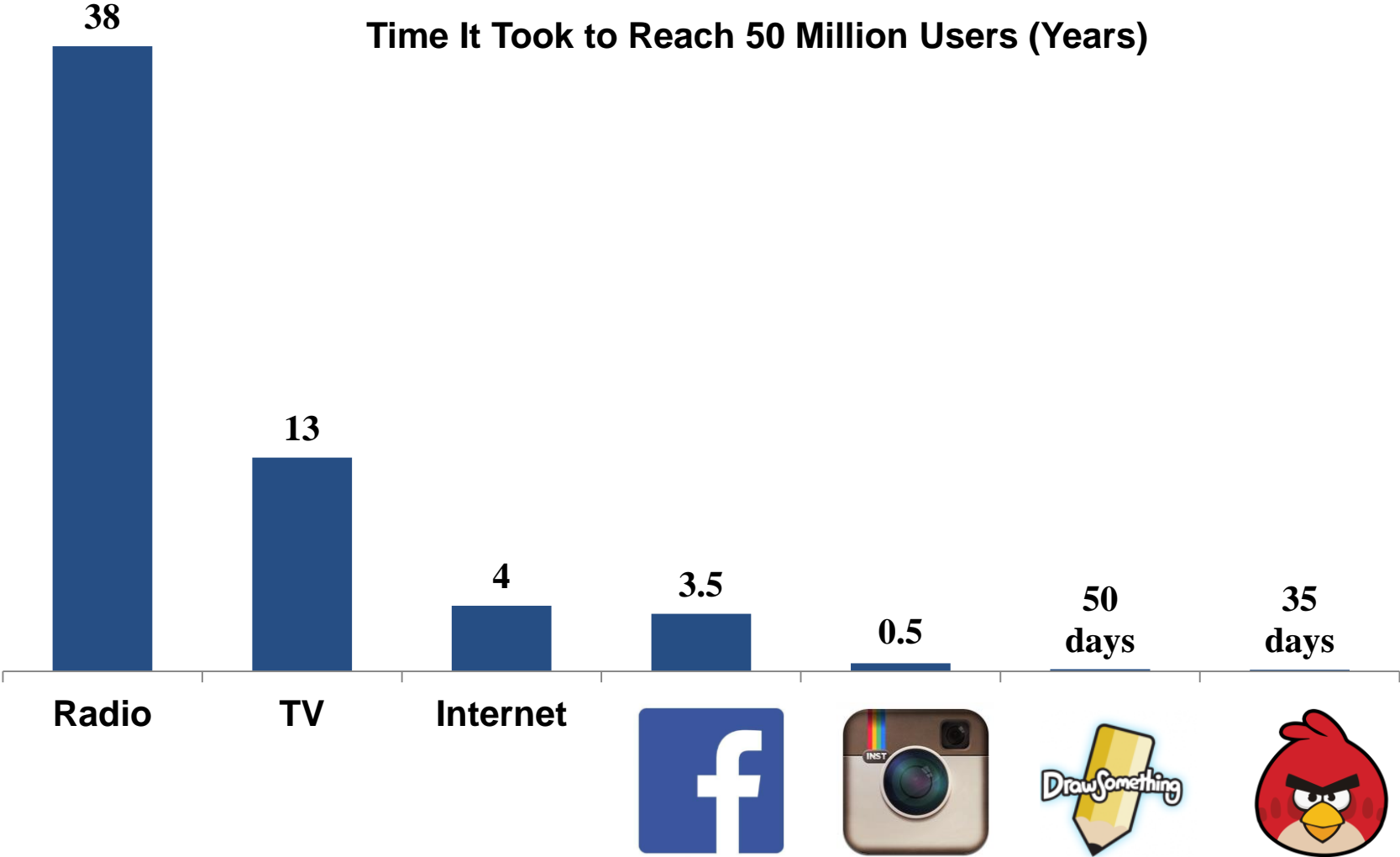
**Non-Talk Applications = 70% Of Timespend**

Source: Experian Marketing Services. US Data

# Mobile Scalability is Increasing Dramatically

## Unprecedented Mobile Adoption Cycle

Time It Took to Reach 50 Million Users (Years)

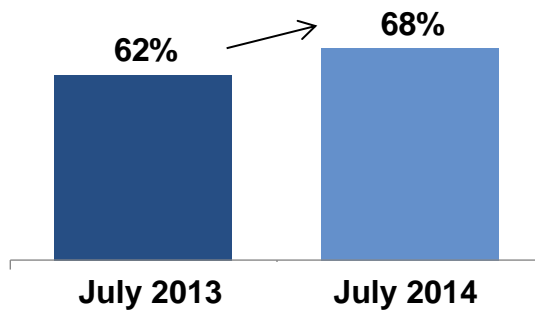


Source: Digital Buzz Blog, Extreme Networks

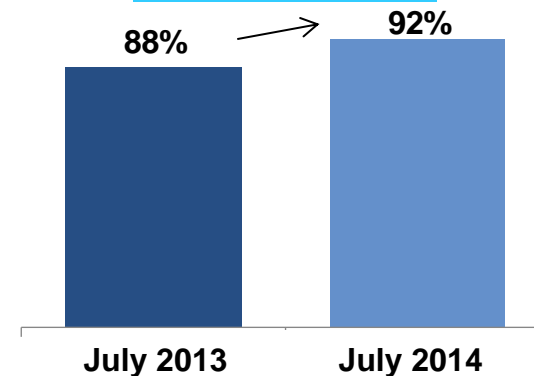
# Mobile Starting to Dominate as Primary Social Channel

## Share of Time Spent on Mobile

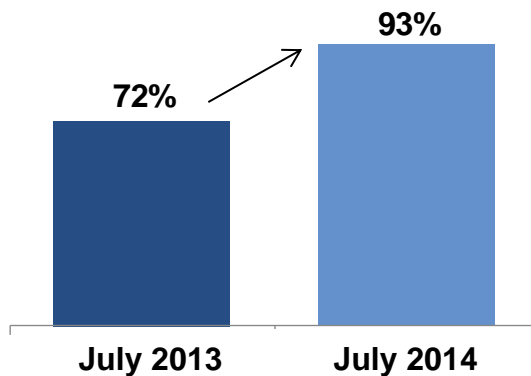
facebook



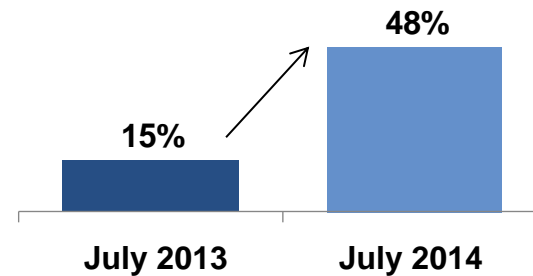
twitter



Pinterest



tumblr.



# Mobile is Becoming the Key Tool in Commerce

## Mobile Influences Path To Purchase

90%

Of Smartphone Shoppers Use Their Phone for Pre-Shopping Activities

84%

Of Smartphone Shoppers Use Their Devices to Help Shop While in a Store

1 in 3

Shoppers Use Their Smartphones to Find Information Instead of Asking Store Employees

## Mobile Increases Median Basket Sizes

50%

Increase in Health & Beauty



34%

Increase in Electronics



40%

Increase in Appliances



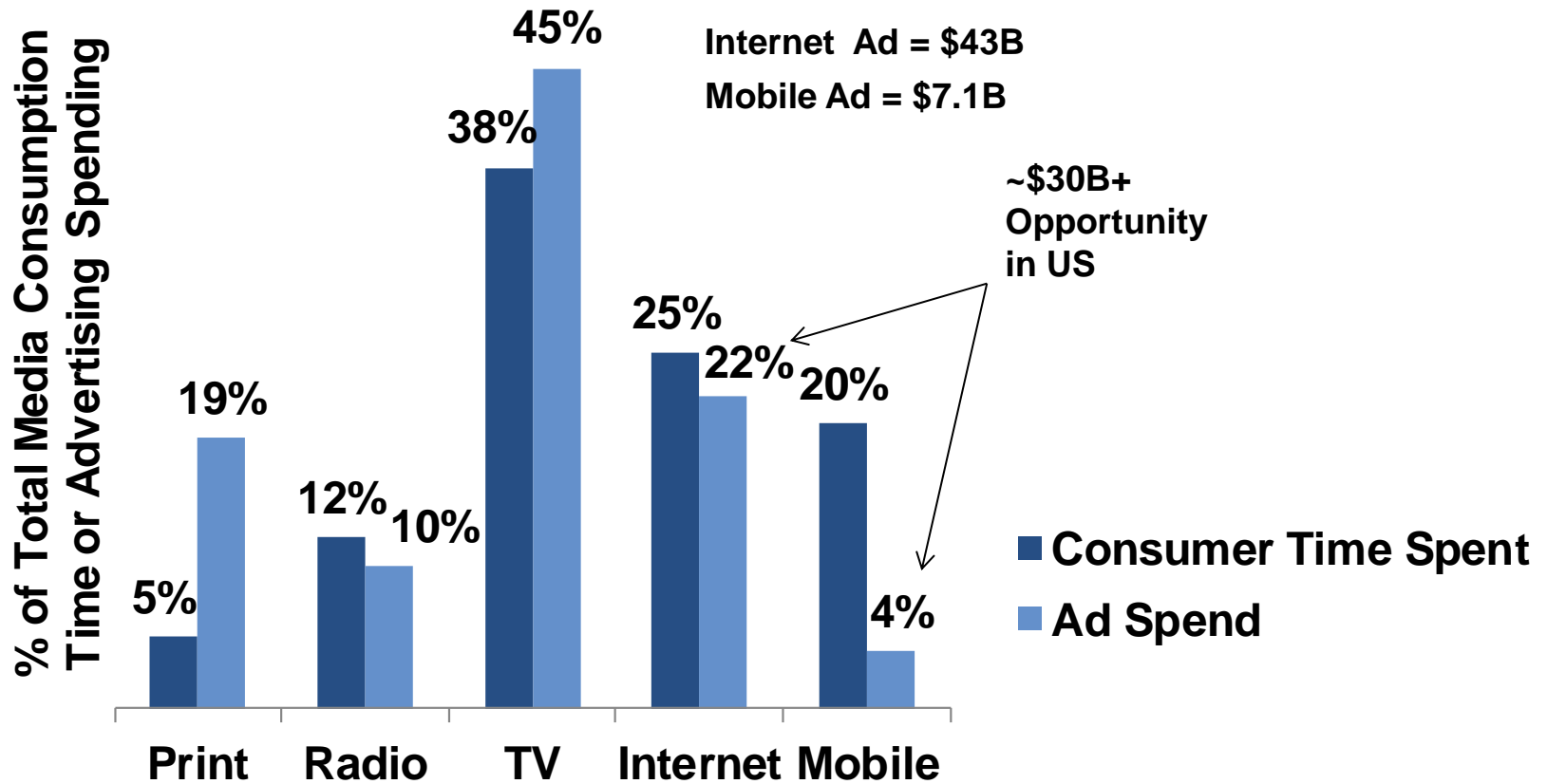
25%

Increase in Household Care



# Consumer Usage is Ahead of Mobile Ad Spend

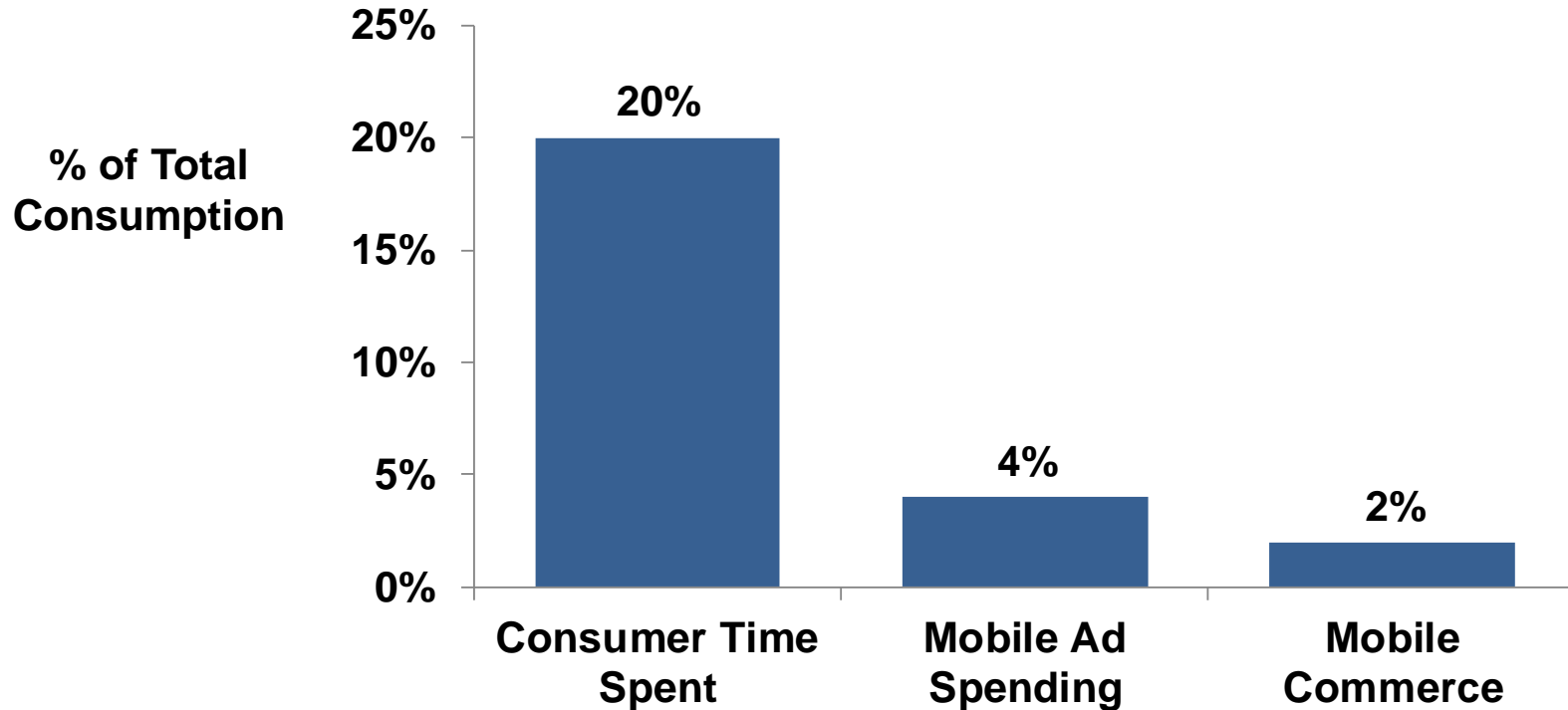
% of Time Spent in Media vs. % of Advertising Spending, USA 2013



Source: Mary Meeker's 2014 "Internet Trends", Advertising spend based on IAB data for full year 2013. Print includes newspaper and magazine. \$30B+ opportunity calculated assuming Internet and Mobile ad spend share equal their respective time spent share.


































# Mobile Has Plenty of Room to Disrupt Traditional Advertising and Retail

## Mobile % of Time Spent vs. % Total Ad Spending vs. % Total Retail



Source: Mary Meeker's 2014 "Internet Trends", Advertising spend based on IAB data for full year 2013. Print includes newspaper and magazine.

# \$1 Billion+ Vertical Based Mobile Categories

Section/Leader	Competitors	Adjacent Verticals	\$BN Category	2014 Highlights
<u>Utilities</u> 	  	 		<ul style="list-style-type: none"> <li>Proliferation of the “Uber model” into other transportation-related verticals</li> </ul>
<u>Media &amp; Entertainment</u> 	 	 		<ul style="list-style-type: none"> <li>Pandora only non-game top 10 iPhone app of 2013</li> <li>“Pandora model” replicated in other content verticals</li> </ul>
<u>Messaging</u> 	  	 		<ul style="list-style-type: none"> <li>Other privacy apps compete and specialty messaging apps gain traction</li> <li>WhatsApp has &gt;600mm active users</li> </ul>
<u>Health &amp; Wellness</u> 	 	  		<ul style="list-style-type: none"> <li>Exercise gamification</li> <li>Convergence of mobile &amp; wearables</li> </ul>
<u>Gaming</u> 	  			<ul style="list-style-type: none"> <li>Top iOS app of 2013</li> <li>9 of top 10 most downloaded apps are in gaming</li> </ul>

# Select Mobile M&A in 2014YTD

(a)

(\$ in Millions)

Date	Acquirer	Target	Size	Implied Enterprise Value to LTM	
				Revenue	EBITDA
Feb. 2014			\$19,000	NA	NA
Feb. 2014			900	594x	NA
May 2014			360	NA	NA
Jul. 2014			100	2.3x	8x
Feb. 2014			17	NA	NA
Aug. 2014			NA	NA	NA
Aug. 2014			NA	NA	NA

Source: Capital IQ

(a) Selection criteria based on size and publicly available information.



# Sector

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Mobile

**Ad Tech**

eCommerce

Marketing Automation

# Key Trends in Ad Tech

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- Recent IPOs have brought new life into the Ad Tech community

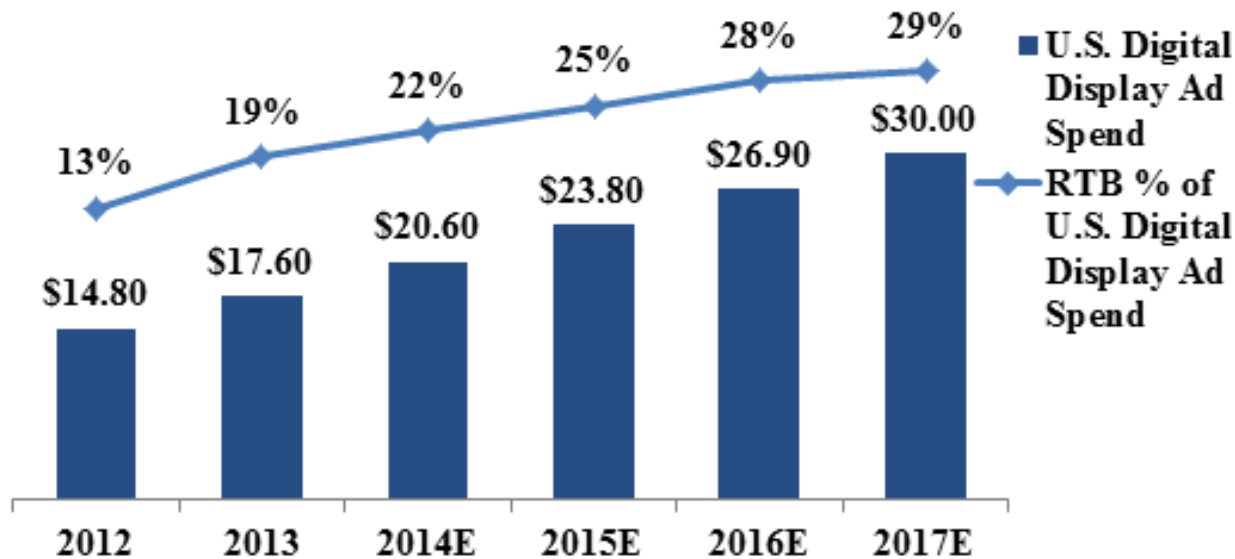


- Creating urgency to get scale
  - Establishing clarity around value for high growth advertising stories
- Noise level on Privacy/Cookie debate up; although still very exploratory in terms of going forward models
  - Programmatic ad buying is getting closer to being the “new norm”
  - Category leaders getting funding, but otherwise hard market for new capital
  - Convergence of marketing and advertising technologies not leading to considerable strategic activity yet

# Continuing Influence of RTB

Technology and transparency leading to greater buying efficiencies for advertisers

U.S. Digital Display Ad Spend



- Improved ROI
- Growth of digital share of total ad spend

Digital %  
Overall Ad  
Spend:































2012	2013	2014E	2015E	2016E	2017E
23%	25%	27%	28%	29%	31%

Sources: e-Marketer.

# Select Ad Tech M&A in 2014YTD

(a)

(\$ in Millions)

Date	Acquirer	Target	Size	Implied Enterprise Value to LTM	
				Revenue	EBITDA
Jul. 2014			\$382	3.5x	21.0x
Feb. 2014			408	6.5x	NA
Mar. 2014			360	10.3x	NA
May 2014			101	8.1x	NA
Apr. 2014			205	2.1x	NA
Aug. 2014			230	2.7x	NA
Jun. 2014			350	6.6x	44.0x
May 2014			310	12.4x	NA
Jul. 2014			240	4.8x	NA
Sep. 2014			107	17.6x	NA
Oct. 2013			119	9.9x	NA
Jul. 2014			144	1.4x	NA
Jun. 2014			235	1.3x	NA
Jun. 2014			150	5.8x	NA
Mar. 2014			200	NA	NA

Source: Capital IQ

(a) Selection criteria based on size and publicly available information. 28

# Sector

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Mobile

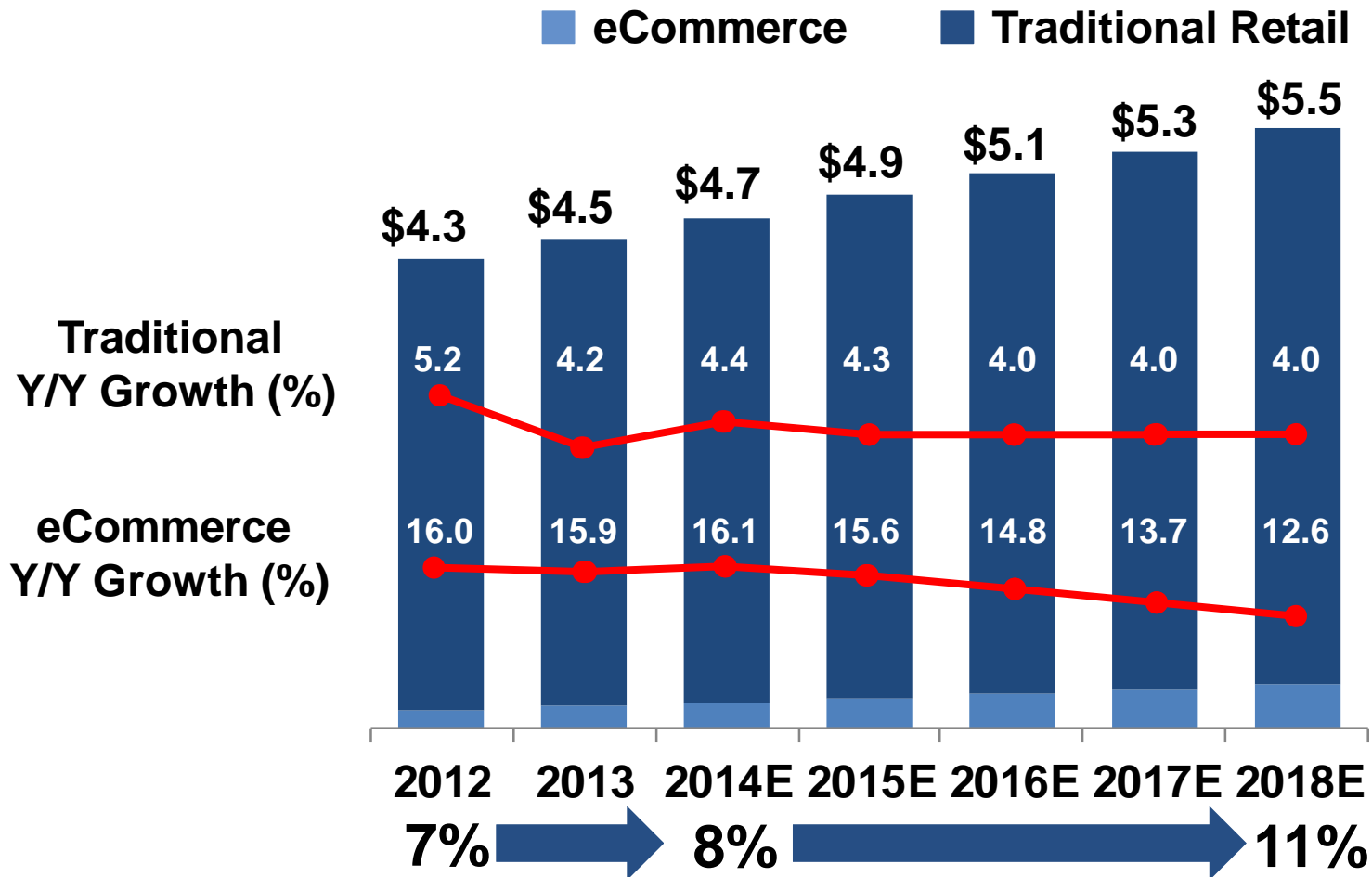
Ad Tech

**eCommerce**

Marketing Automation

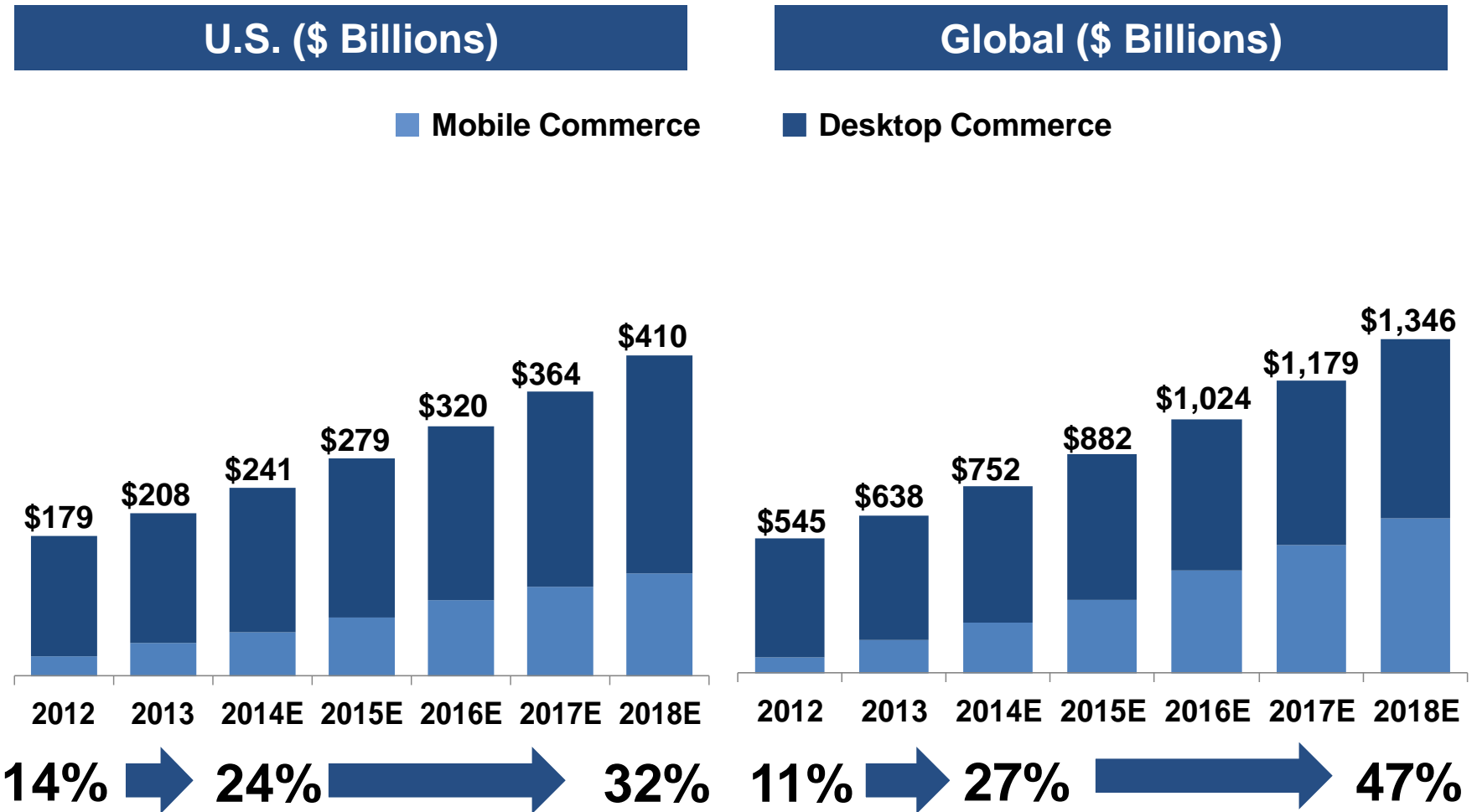
# Big Industry Growth Opportunity in eCommerce

U.S. (\$ Trillions)



Source: eMarketer, April 2014; Goldman Sachs, "eCommerce Expected to Accelerate Globally in 2014"; Forrester Research, 2014

# Mobile Will Play an Increasingly Important Role



Source: Goldman Sachs, "eCommerce Expected to Accelerate Globally in 2014"

# eCommerce M&A Dynamics

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- Early Days for eCommerce M&A
- Complicated Because...
  - Logical Buyers = Traditional Retail, Trade at Low Multiples
  - Many eCommerce Companies Choose Growth Over Profits
  - Many Specialty Verticals Hit the “\$100mm Wall”
  - Lots of VC/PE \$\$ Invested...Big EXIT Expectations
- Role of Social eCommerce M&A – Not There Yet



























# Select eCommerce M&A in 2014YTD

(a)

(\$ in Millions)

Implied Enterprise Value to LTM

Date	Acquirer	Target	Size <sup>(1)</sup>	Revenue	EBITDA
Jul. 2014			\$3,305	19.0x	NA
Feb. 2014			2,600	13.1x	43.3x
Jul. 2014			970	NA	NA
Mar. 2014			422	2.3x	24.7x
Jul. 2014			300	1.4x	NA
May 2014			281	0.7x	NA
Sep 2014			200	7.6x	NA
Apr. 2014			160	8.7x	NA
Aug. 2014			121	0.7x	NA
Oct. 2013			100	9.9x	NA
Sep. 2014			50	2.5x	NA
Jul. 2014			42	0.4x	NA

Source: Capital IQ

(a) Selection criteria based on size and publicly available information. 33

# Sector

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Mobile

Ad Tech

eCommerce

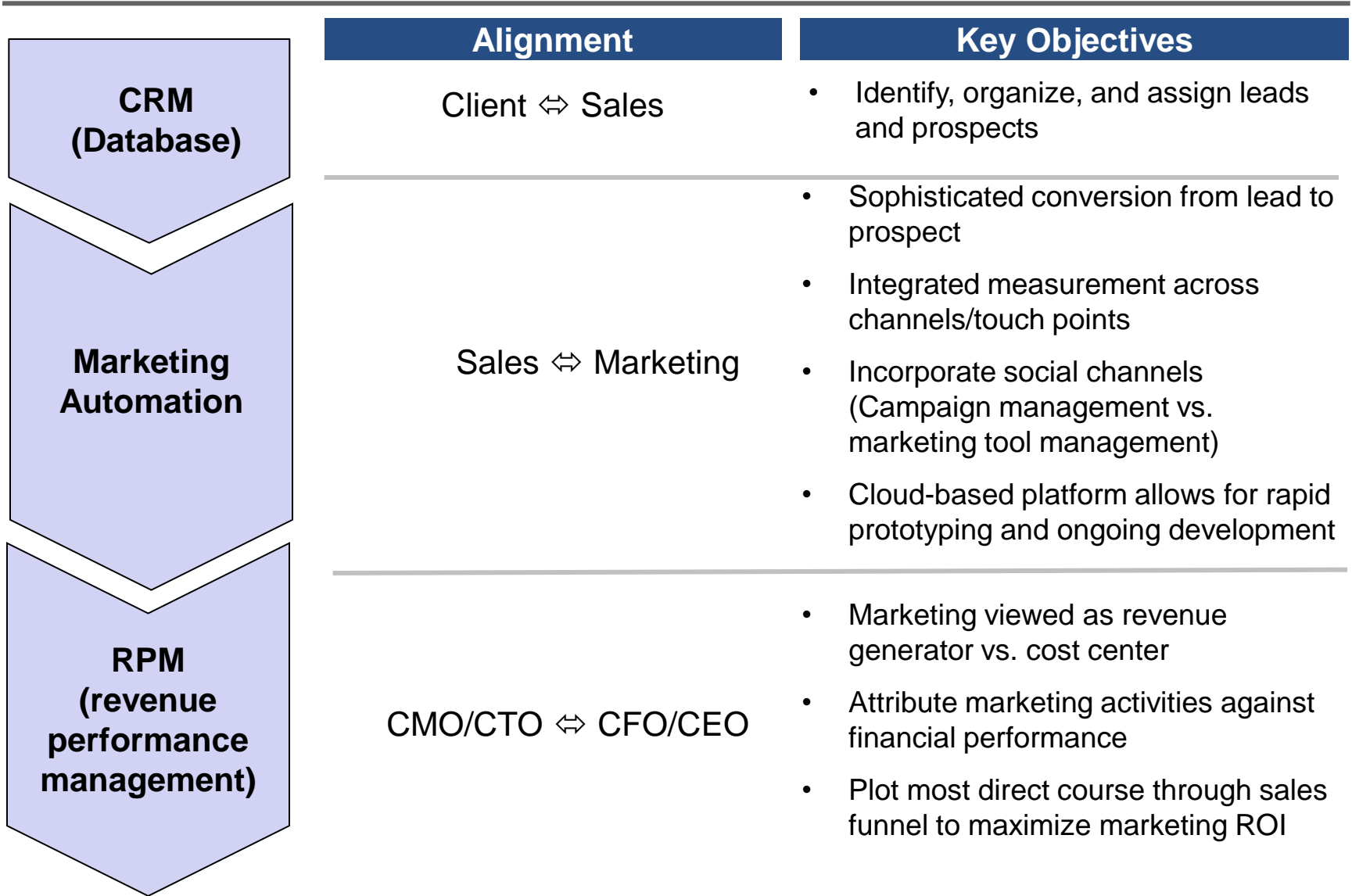
**Marketing Automation**

# Evolution of Marketing Software

1995-2001	2002-2007	2009-2010	2011-2014YTD
<p><b>Dotcom Bubble</b></p> <ul style="list-style-type: none"> <li>•Email and the Internet are in their introduction / growth stage, as mainstream adoption begins to occur.</li> <li>• Companies like Google, MSN, and Yahoo were launched in order to support the demand for email and internet content</li> </ul> <p><b>Launched</b></p>  <p><b>Legislation</b></p> <p>Do Not Call List</p> <p>Can-Spam Act</p>	<p><b>Dotcom Bubble Burst and the Emergence of Social</b></p> <ul style="list-style-type: none"> <li>•After the Dot.com bubble burst, there was a drought of funding for new internet businesses.</li> <li>• Shortly after, a new generation of companies were founded as people's use of the internet evolved and became more integrated with their daily lives</li> </ul> <p><b>Launched</b></p> 	<p><b>The Rise of the Devices</b></p> <ul style="list-style-type: none"> <li>•As social media consolidation occurs ad acquirers try to add critical capabilities to their own product suite</li> </ul> <p><b>Key Acquisitions</b></p> 	<p><b>Critical Mass in the Need for Data Automation</b></p> <p><b>IPOs</b></p>  <p><b>Key Acquisitions</b></p> 

Source: Capital IQ

# Marketing is Becoming a Key Strategic Imperative



# Marketing Automation Ecosystem

## Database Marketing (2)



## Site Optimization (4)



## Demand Side Platform (4)



## Display/Search Retargeters (4)



## Email (8)



## Attribution (2)



## Web Analytics (3)



## Mobile Marketing (8)



## Social Marketing (19)



## Predictive Analytics



## Marketing Automation

	Enterprise	Enterprise & SMB	SMB
B2B			
B2B & B2C			
B2C			

## CRM (9)



## Personalization



# Select Marketing Automation M&A in 2014YTD

(a)

(\$ in Millions)

Date	Acquirer	Target	Size	Implied Enterprise Value to LTM	
				Revenue	EBITDA
Apr. 2014			\$492	2.6x	NA
Jul. 2014			390	NA	NA
Apr. 2014			275	3.4x	NA
Jul. 2014			175	4.4x	NA

Source: Capital IQ

(a) Selection criteria based on size and publicly available information.

## III. Summary Thoughts

# Summary Thoughts

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- **Digital Media Private Financings: Bigger Checks**
  - Higher Valuations
  - An Increasing Number of \$1billion+ Babies
- **Digital Media IPO's: Lots of Exits in 2013 and 2014**
  - Mixed Performance
- **Digital Media M&A: Good Deal Year with Many Solid Growth Themes**
  - Variety to Size and Scale
  - Broadening Buyer Universe
- **Favorite Gridley 2015 Investment Themes:**
  - Mobile
  - eCommerce Services
  - Ad Agency Disruption