

IAB Global Summit Discussion

October 1, 2014



Agenda

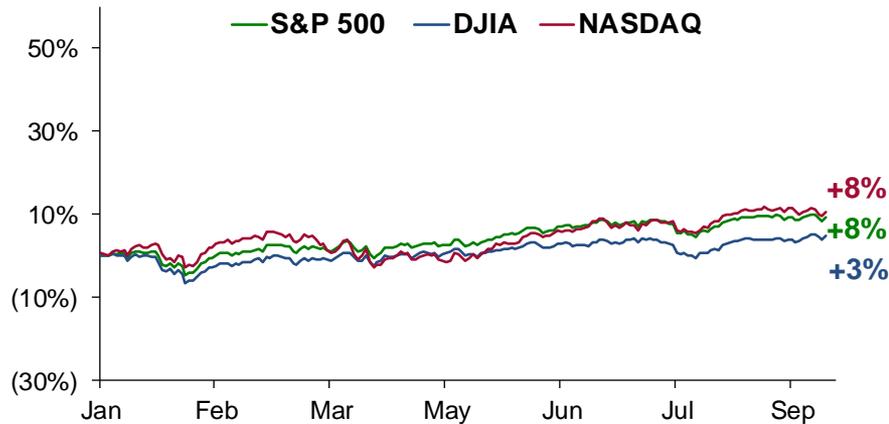
- I. Market Overview**
 - A. IPO and Public Markets**
 - B. M&A and VC Markets**
- II. Selected Digital Media Trends**
- III. Summary Thoughts**

I. Market Overview

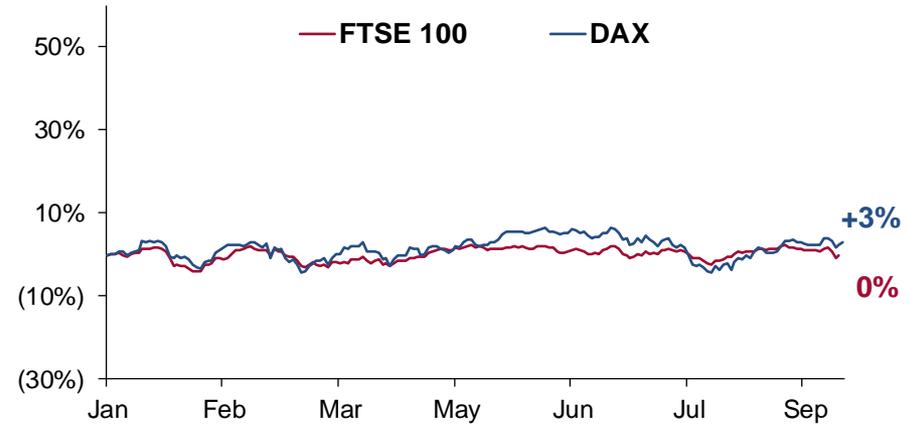
A. IPO and Public Markets

2014 YTD Global Market Performance

U.S. Market Index Performance



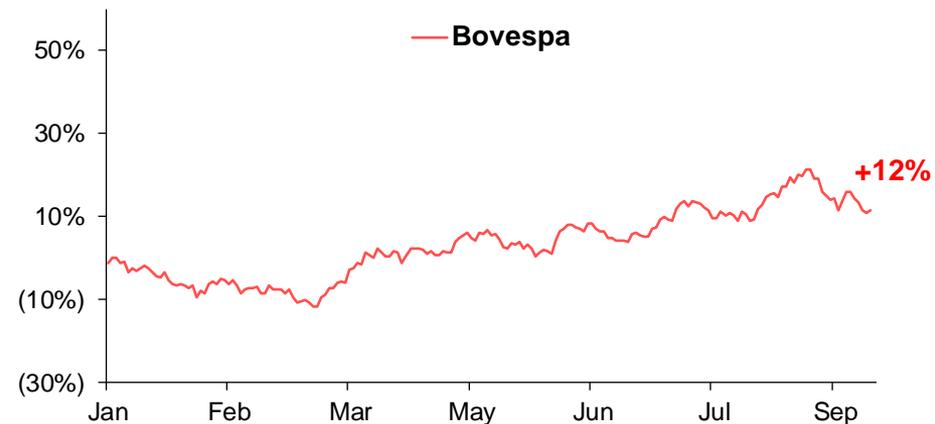
European Market Index Performance



Asian Market Index Performance



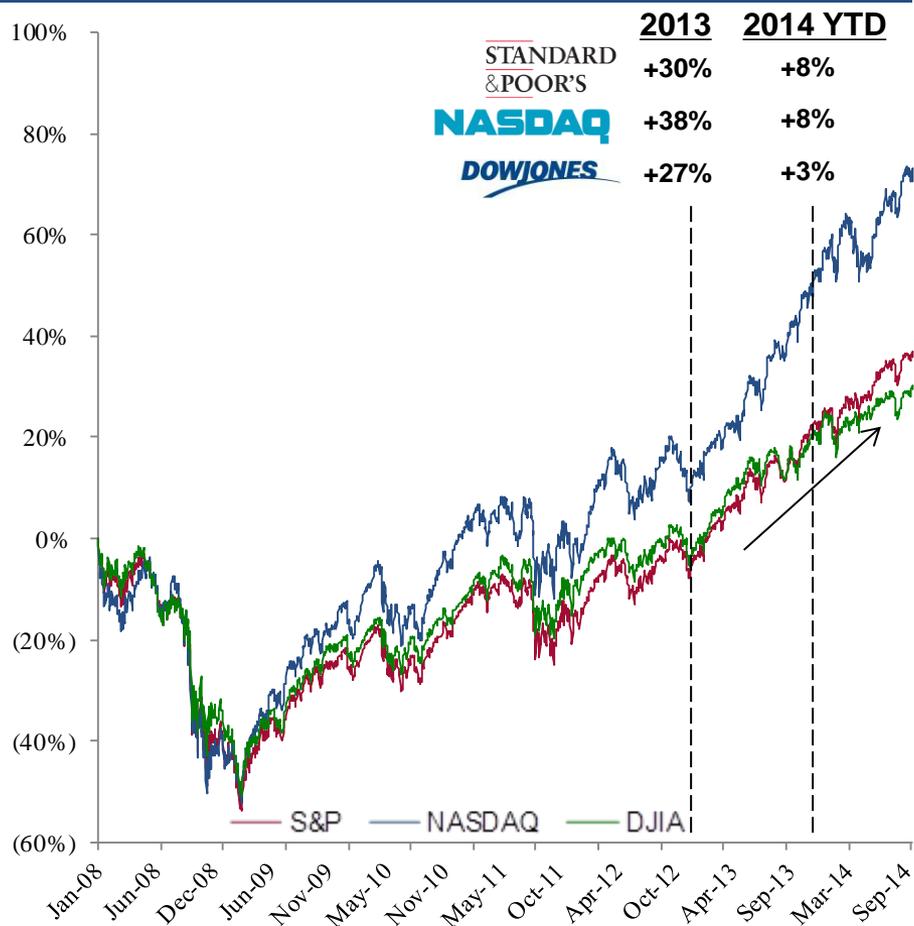
Latin American Market Index Performance



Source: Capital IQ, as of September 25, 2014.

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	\$392	7%	73%
amazon.com	149	(19%)	250%
YAHOO!	39	(4%)	66%
ebay	65	(4%)	58%
facebook	201	41%	NA
Alibaba.com	219	32%	NA

Strong Market Despite Some Skepticism

- Anticipated correction yet to occur
- Ukrainian and Israeli conflicts still unresolved; ISIS impact growing
- 10-year Treasuries reaching lows

Source: Capital IQ, as of September 25, 2014.

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



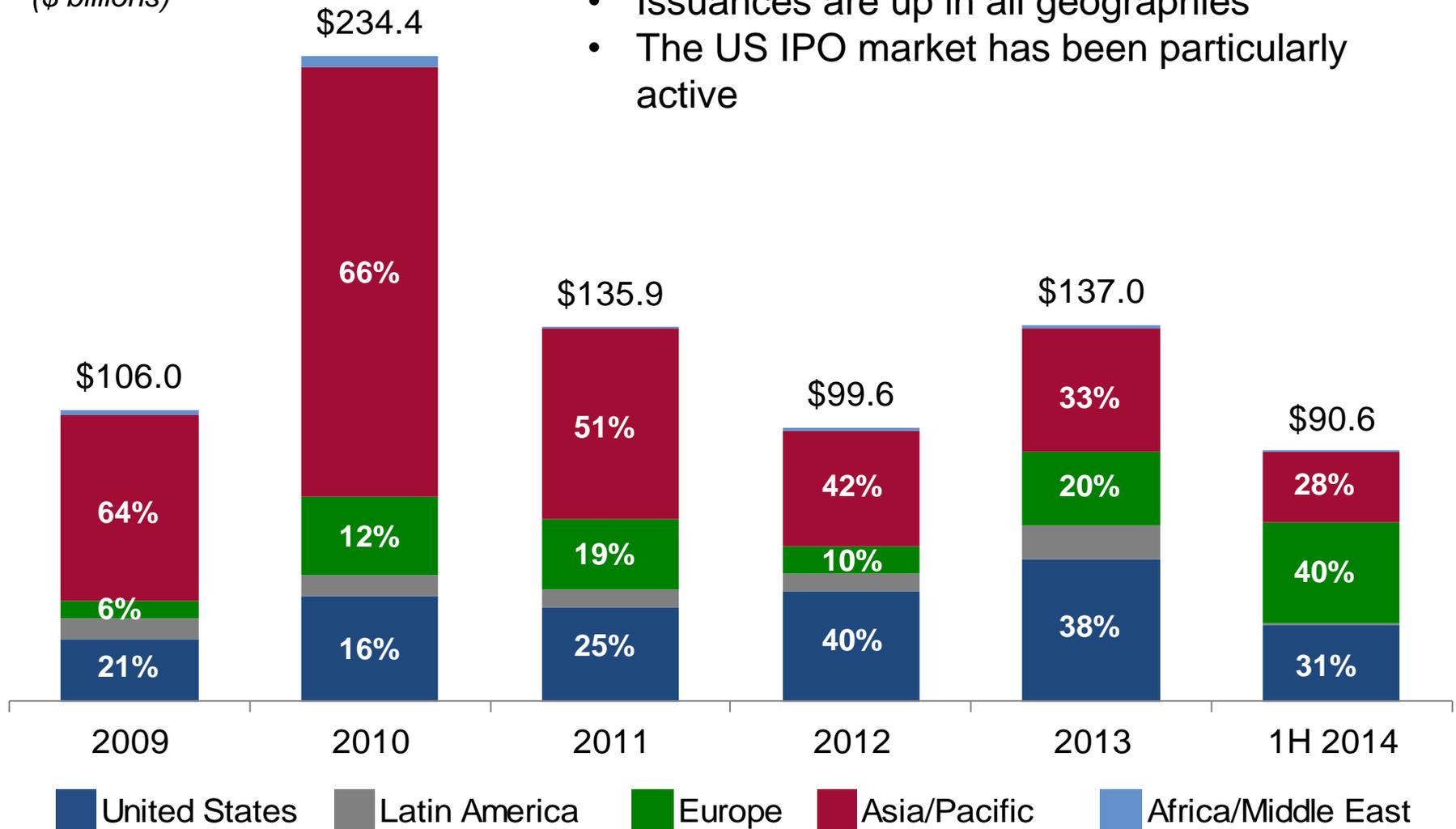
Median Stock Price Performance of Digital Media Sectors

	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%	+8.1%
Dow Jones	+7.3%	+26.5%	+2.9%
Nasdaq	+15.9%	+38.3%	+8.0%

Global IPO Volume

(\$ billions)

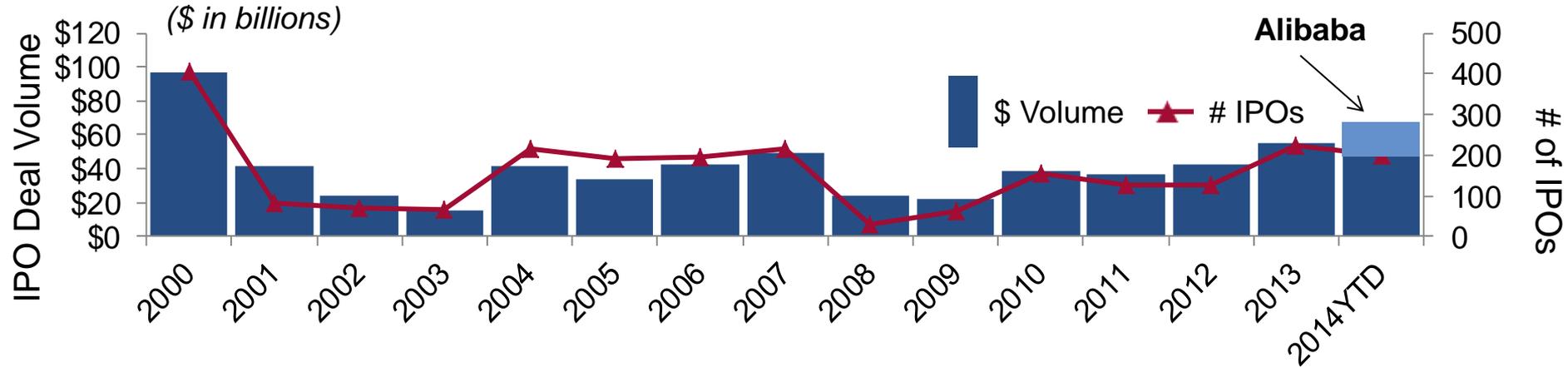
- Issuances are up in all geographies
- The US IPO market has been particularly active



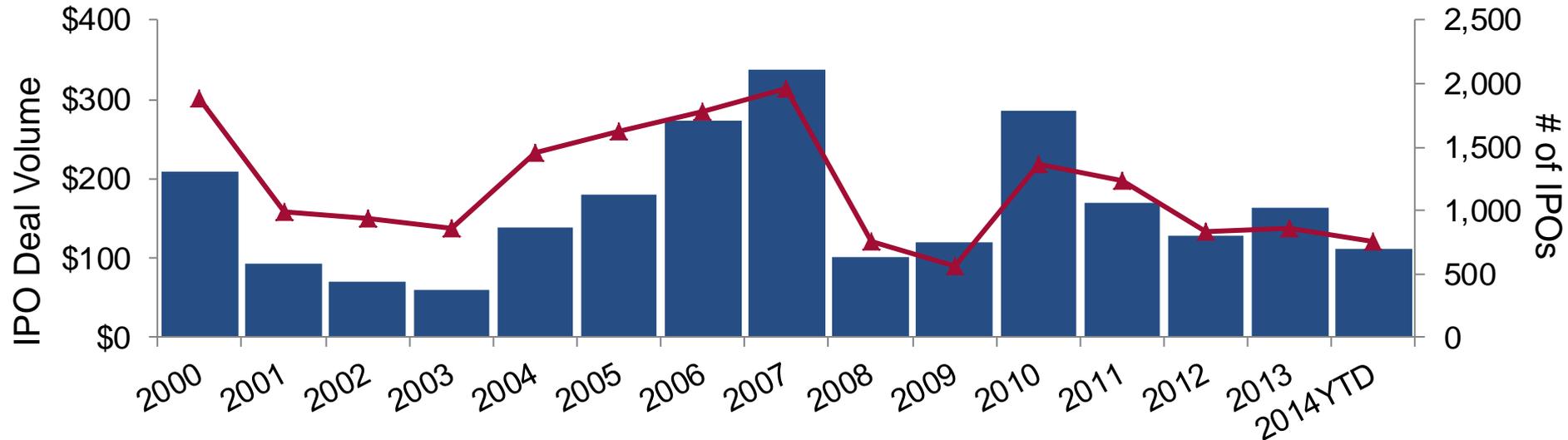
Source: Capital IQ; Renaissance Capital; Annual Global IPO Reviews.

U.S. and Global IPO Issuance and Deal Volume

U.S. IPO Issuance



Global IPO Issuance



Source: Renaissance Capital; Dealogic; EY Global IPO Trends, Factset.

YTD as of September 25, 2014.

Digital Media Sector IPO Performance

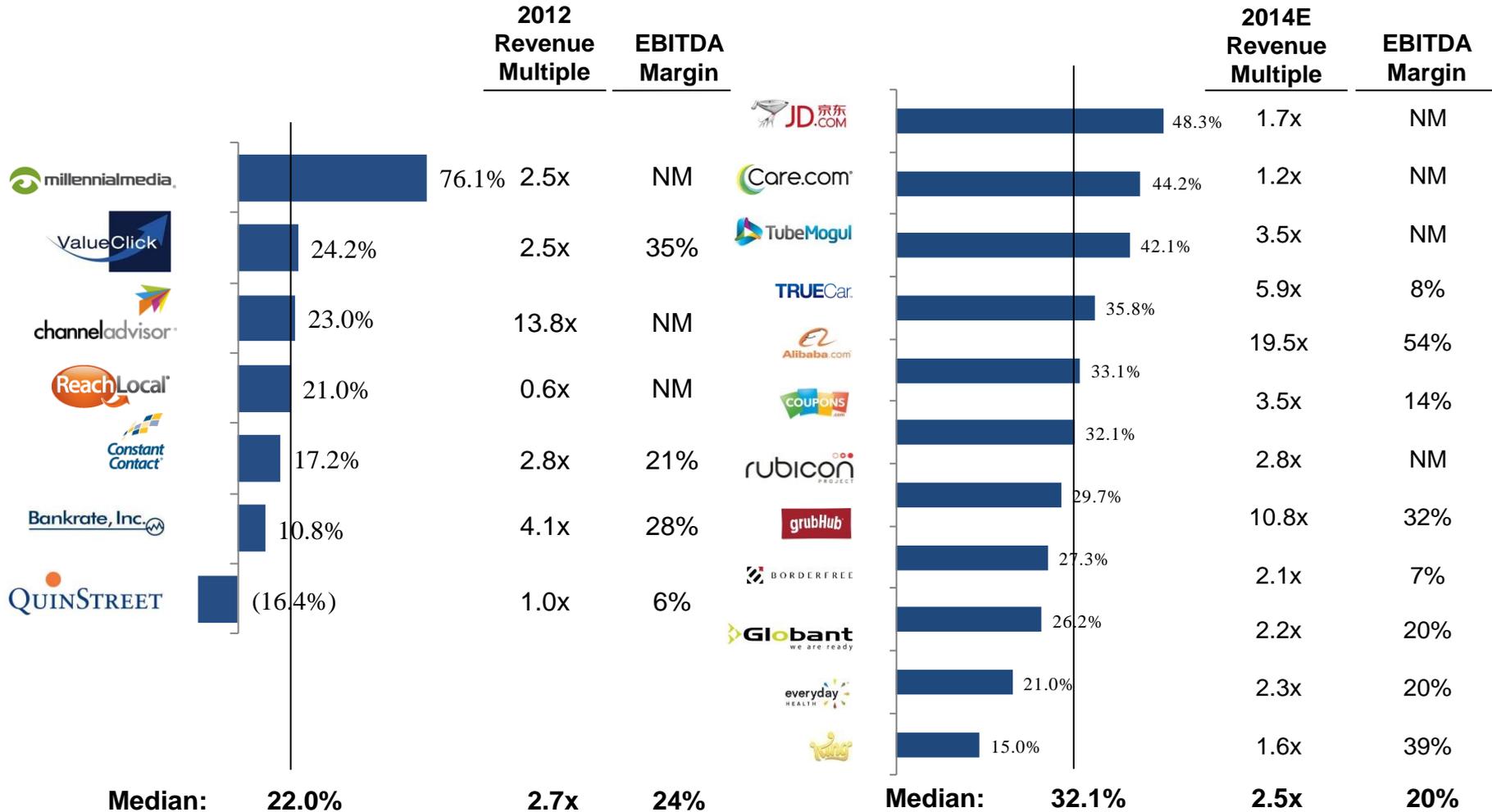
(\$ in millions)				Market Cap	Price Performance	
Date	Company	Subsector	IPO Size	@ IPO	Day 1	Since IPO
2014 (12)						
Sep 18	Alibaba Group Holding Limited	eCommerce	\$21,767	\$167,620.4	38.1%	30.8%
Jul 18	Globant S.A.	Digital Agency	59	333.5	15.1%	29.7%
Jul 17	TubeMogul, Inc.	AdTech	44	200.8	64.3%	60.9%
May 21	JD.com, Inc.	Social	1,780	25,974.6	10.0%	39.8%
May 19	TrueCar, Inc.	eCommerce	70	639.3	5.6%	98.8%
Mar 21	Borderfree, Inc.	eCommerce	80	487.6	20.4%	(17.3%)
Apr 04	GrubHub Inc.	eCommerce	193	1,934.0	33.8%	33.5%
Mar 25	King Digital Entertainment plc	Digital Content	500	7,086.0	(15.6%)	(41.1%)
Apr 02	The Rubicon Project, Inc.	AdTech	102	520.7	32.3%	(19.0%)
Mar 06	Coupons.com Incorporated	eCommerce	168	1,170.7	87.5%	(22.2%)
Mar 28	Everyday Health, Inc.	Digital Content	100	415.5	(0.1%)	(6.0%)
Jan 24	Care.com, Inc.	eCommerce	91	505.7	46.5%	(51.9%)
2014 Median			101	580.0	26.4%	11.9%
2013 (11)						
Nov 14	zulily, Inc.	eCommerce	253	2,685.4	63.7%	80.4%
Nov 06	Twitter, Inc.	Social	1,820	14,162.1	72.7%	97.9%
Oct 29	Criteo SA	Ad Tech	251	1,714.2	14.2%	12.2%
Sep 19	Rocket Fuel Inc.	Ad Tech	116	942.3	93.4%	(47.2%)
Aug 06	YuMe, Inc.	Ad Tech	46	286.2	0.0%	(45.0%)
Jul 18	RetailMeNot, Inc.	Retail	191	1,054.3	31.9%	(20.7%)
Jun 26	Tremor Video, Inc.	Ad Tech	75	494.2	(15.0%)	(74.3%)
May 22	ChannelAdvisor	eCommerce	81	286.6	31.7%	11.9%
May 16	Marketo, Inc.	Marketing Auto	79	465.2	77.7%	138.2%
Mar 21	Marin Software	Digital Marketing	105	432.8	16.1%	(38.3%)
Mar 04	Professional Diversity	Social	21	29.1	(4.1%)	(36.3%)
2013 Median			105	494.2	31.7%	(20.7%)
Overall Median			102	520.7	31.7%	(6.0%)

Source: Capital IQ.

...Digital Media Companies Going Public Today Have Higher Growth Profiles/Reasonable Valuations

Public Comp Universe at End of 2012 '12-'13 Revenue Growth

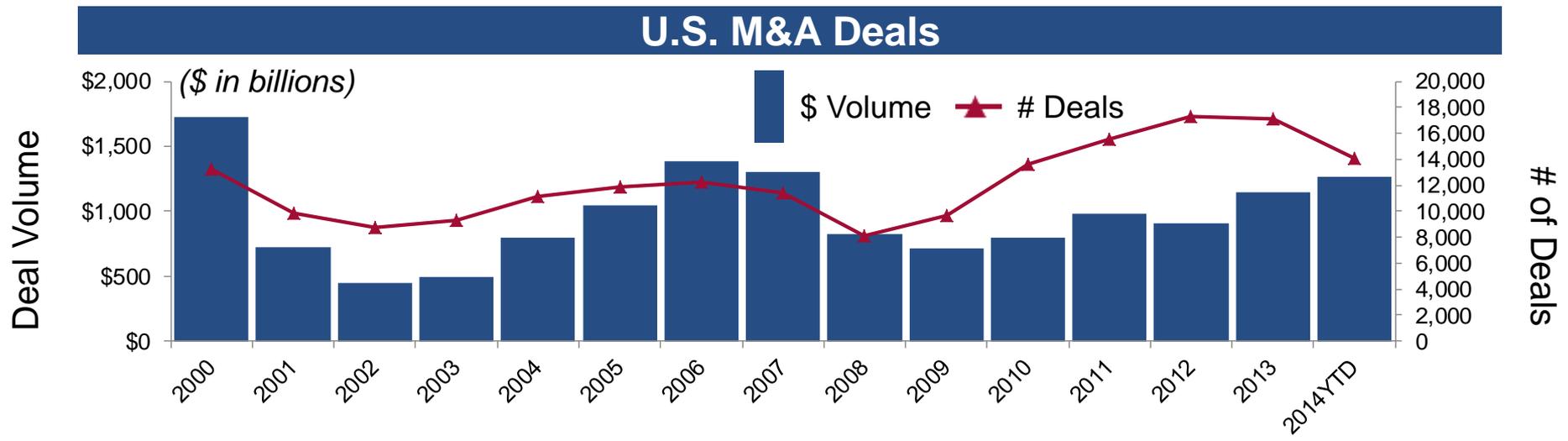
2014 Digital Media IPOs '14-'15 Revenue Growth



Source: Capital IQ.

B. M&A and VC Markets

U.S. and Global M&A Deal Volume

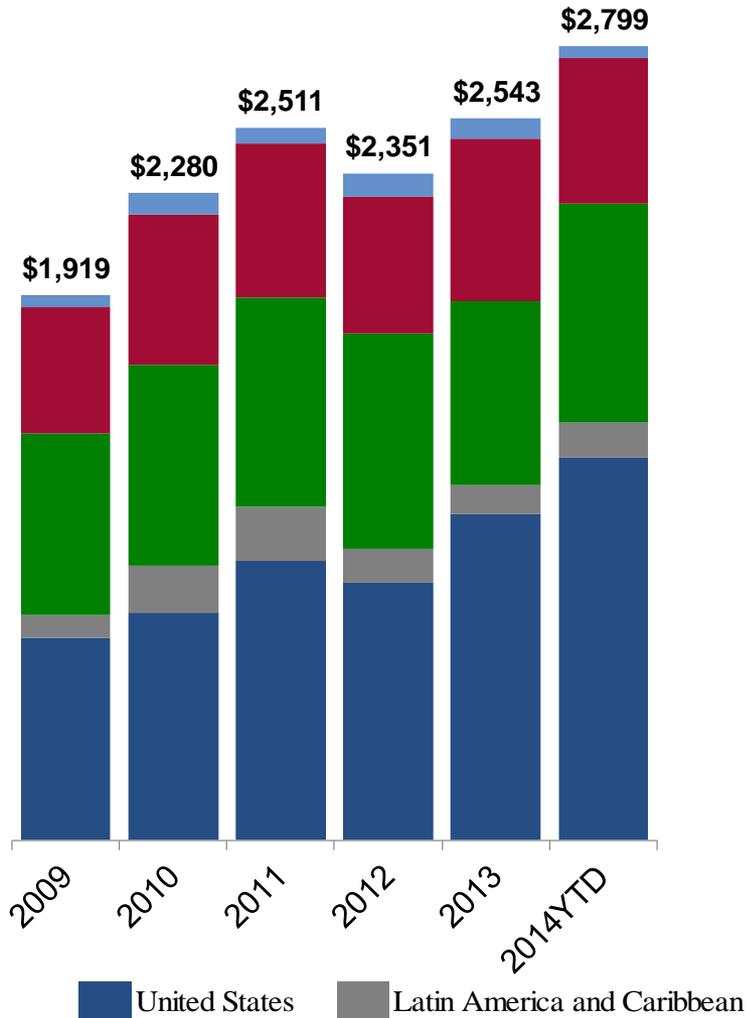


Source: Dealogic, Capital IQ.

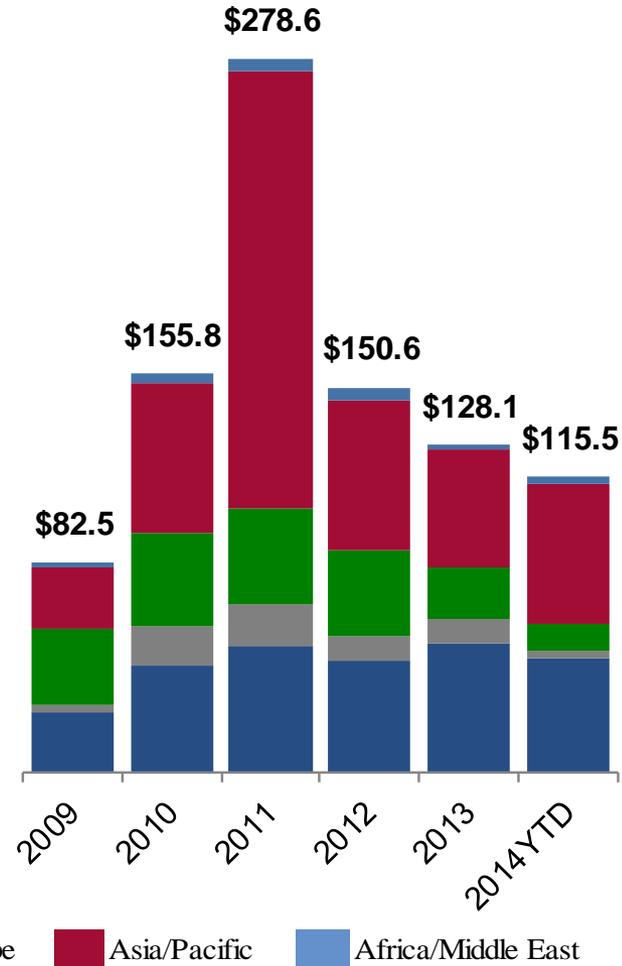
YTD as of September 25, 2014.

Global M&A Deal Volume and VC Financings

Global M&A Volume (\$ billions)



Global VC Financings (\$ billions)



Source: Capital IQ; Annual Global IPO Reviews.

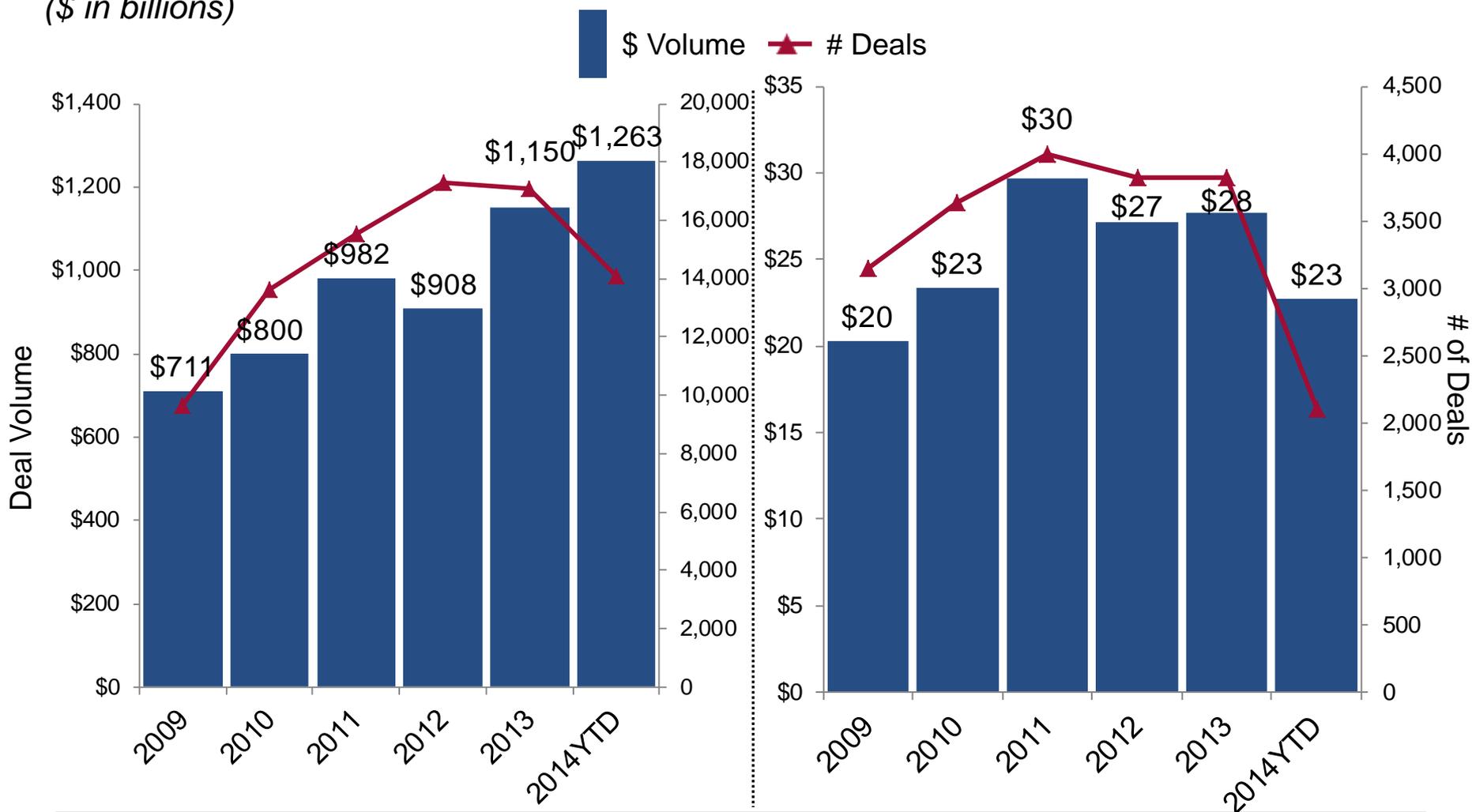
YTD as of September 25, 2014.

U.S. M&A and VC Markets

Annual M&A Deal Volume

Annual VC Financing Volume

(\$ in billions)

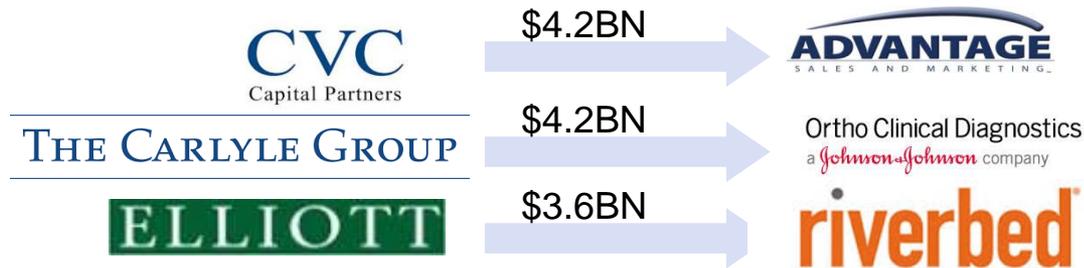


Source: Capital IQ, PwC National Venture Capital Association MoneyTree Report.

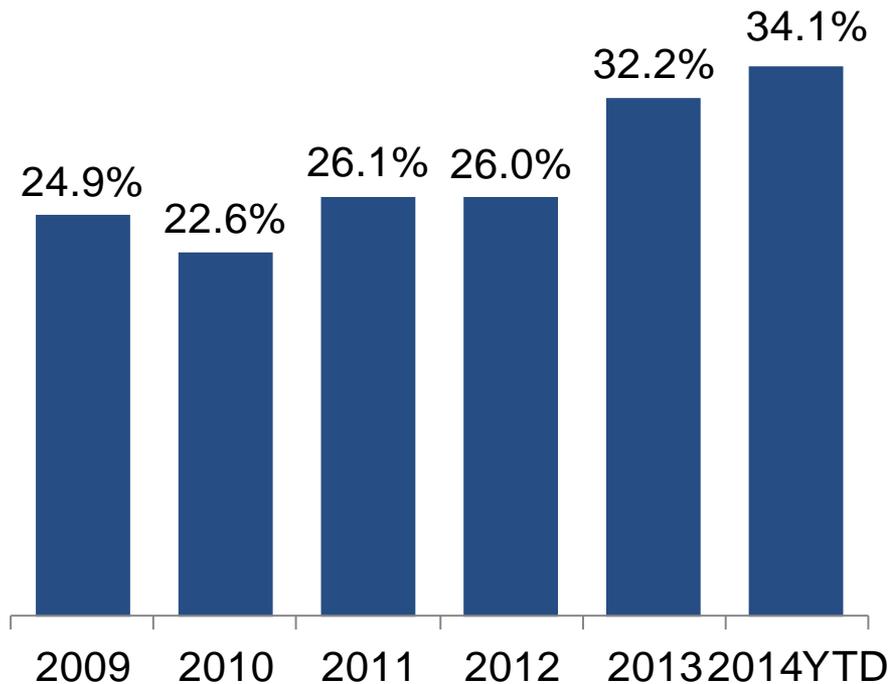
YTD as of September 25, 2014.

Financial Sponsor M&A Activity

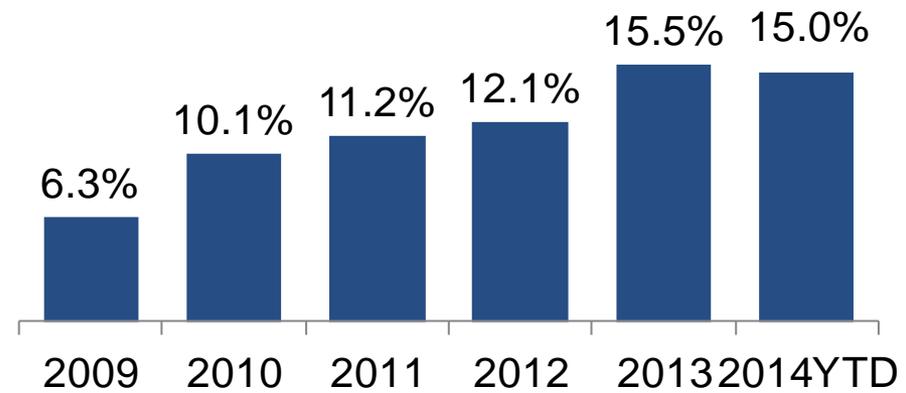
Top Global Private Equity Deals of 2014 (All U.S.)



U.S. Private Equity (% Total)



Global Private Equity M&A (% Total)

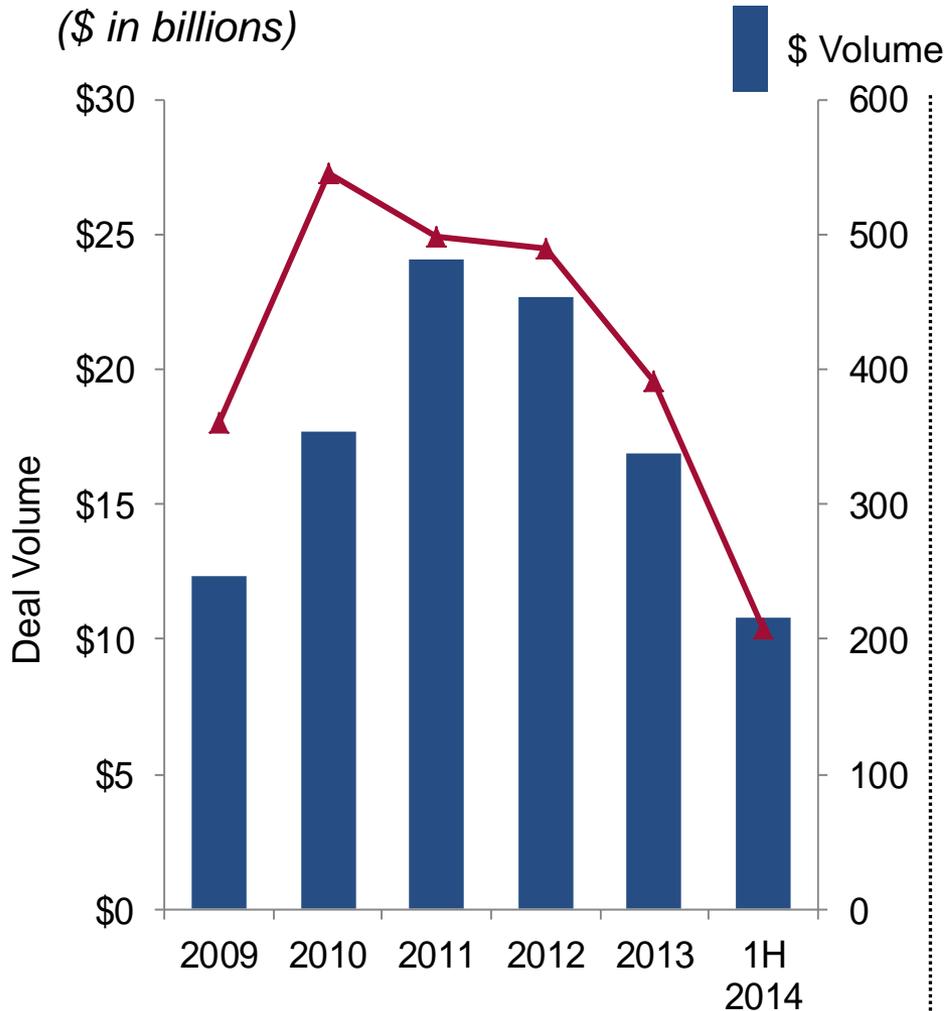


Sources: Thomson Reuters; Capital IQ.

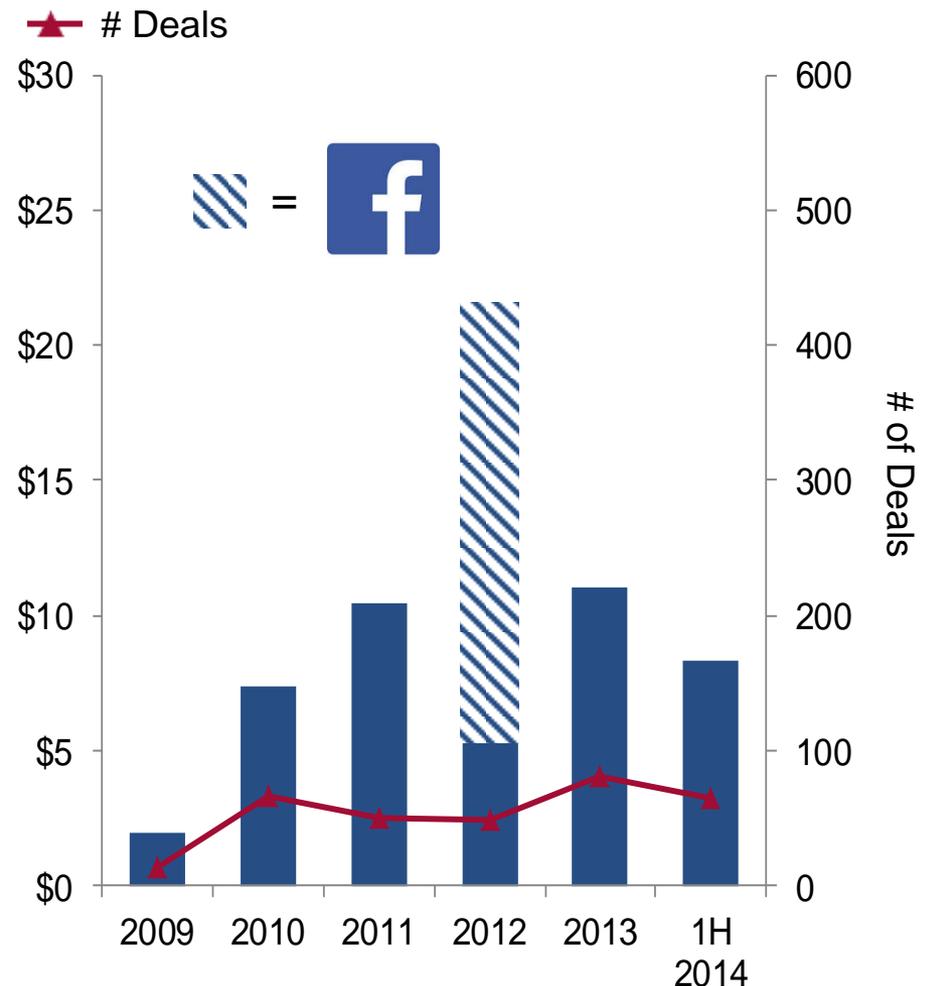
YTD as of September 25, 2014.

2014 Has Been a Good Year for U.S. Venture Backed Exits

Total Disclosed M&A \$ Value (\$ billions)



Total IPO \$ Amount (\$ billions)



Sources: Thomson Reuters, National Venture Capital Association, July 2014.

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

- **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

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	 

Return of the Traditional Strategic Buyers

(\$ in Millions)

Date	Acquirer	Target	Size	Implied Enterprise Value to LTM	
				Revenue	EBITDA
May. 2014			\$1,000	15.5x	NA
Mar. 2014			950	NA	NA
Sep. 2014			950	NA	NA
Jul. 2014			422	2.3x	24.7x
Mar. 2014			360	10.3x	NA
May. 2014			310	12.4x	NA
Jul. 2014			281	0.7x	NA
Apr. 2014			205	2.1x	NA
Aug. 2014			160	2.3x	NA
2014			NA	NA	NA

Key 2014 Digital Investment Themes

- 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

(\$ 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

II. Digital Media Activity by Subsector

Sector

Ad Tech

eCommerce

Marketing Automation

Mobile

Internet of Things

Traditional Advertising / Marketing Services

Key Trends in Ad Tech

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

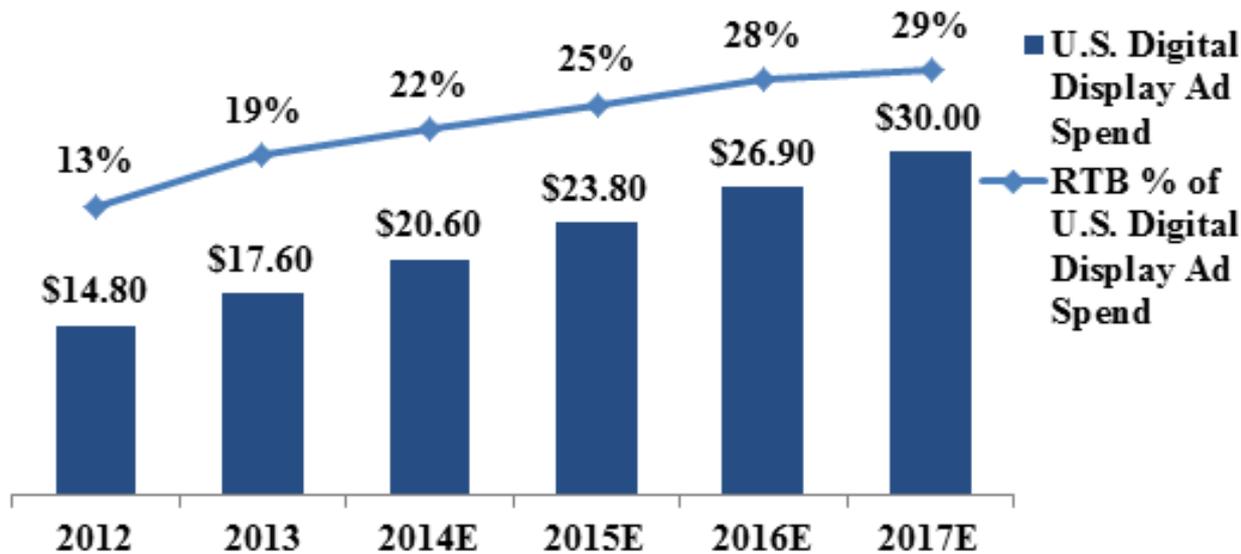


- Creating urgency to get scale
 - Establishing clarity around value for high growth advertising stories
- Noise level on Privacy/Cookie debate up; although still very exploratory in terms of going forward models
 - Programmatic ad buying is getting closer to being the “new norm”
 - Category leaders 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

(\$ 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

Sector

Ad Tech

eCommerce

Marketing Automation

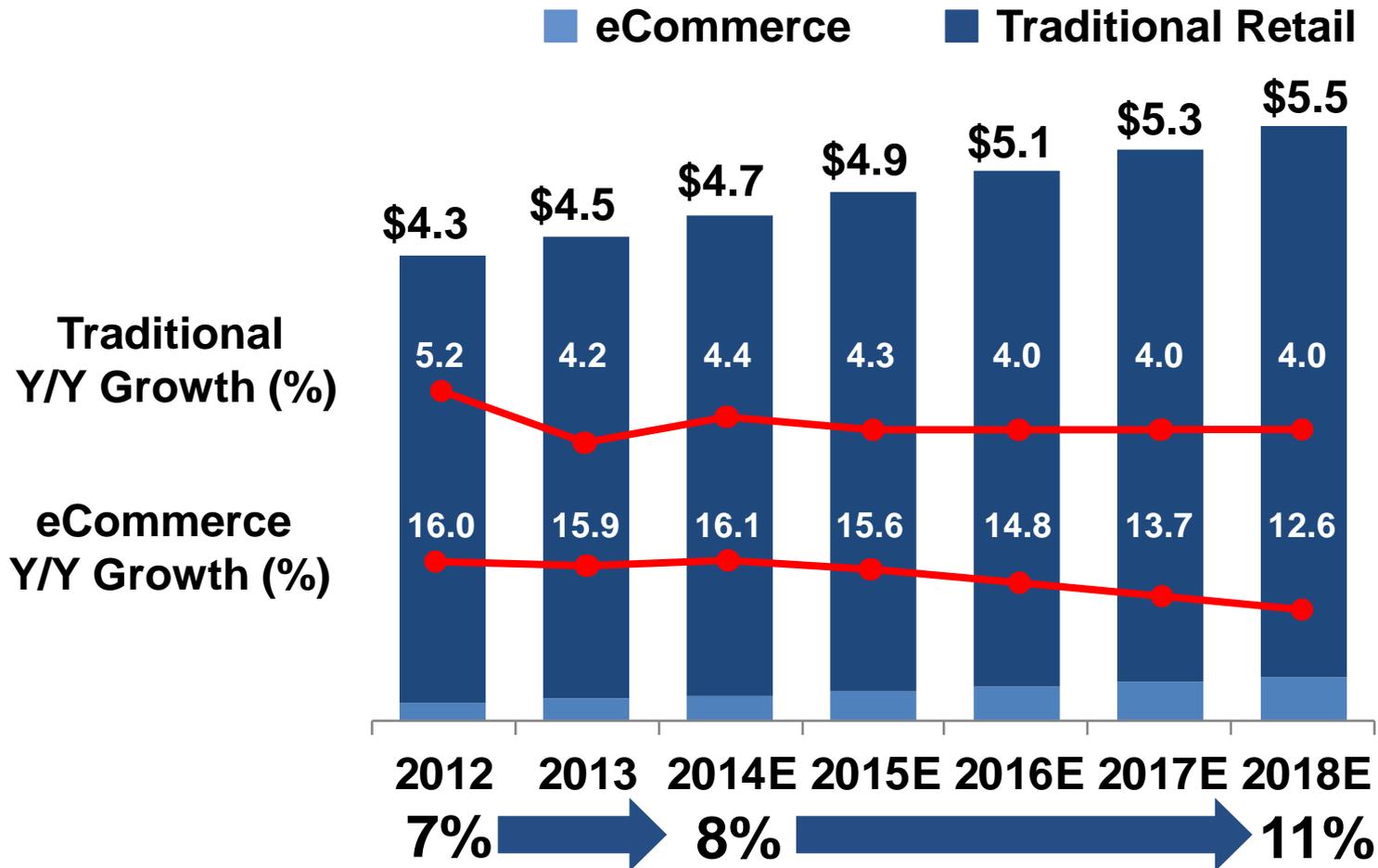
Mobile

Internet of Things

Traditional Advertising / Marketing Services

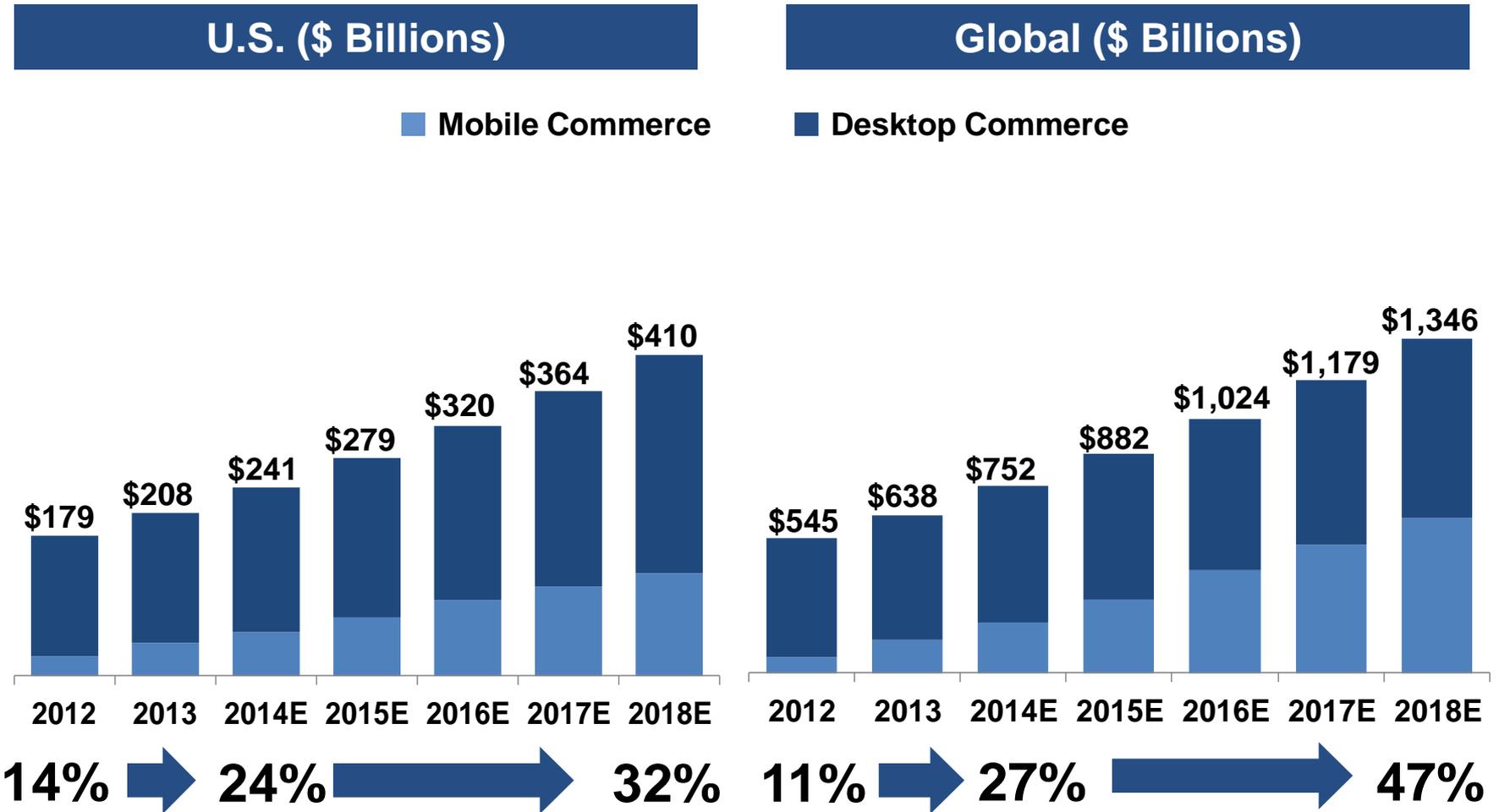
Big Industry Growth Opportunity in eCommerce

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

- 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

(\$ in Millions)

Implied Enterprise Value to LTM

Date	Acquirer	Target	Size ⁽¹⁾	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

Sector

Ad Tech

eCommerce

Marketing Automation

Mobile

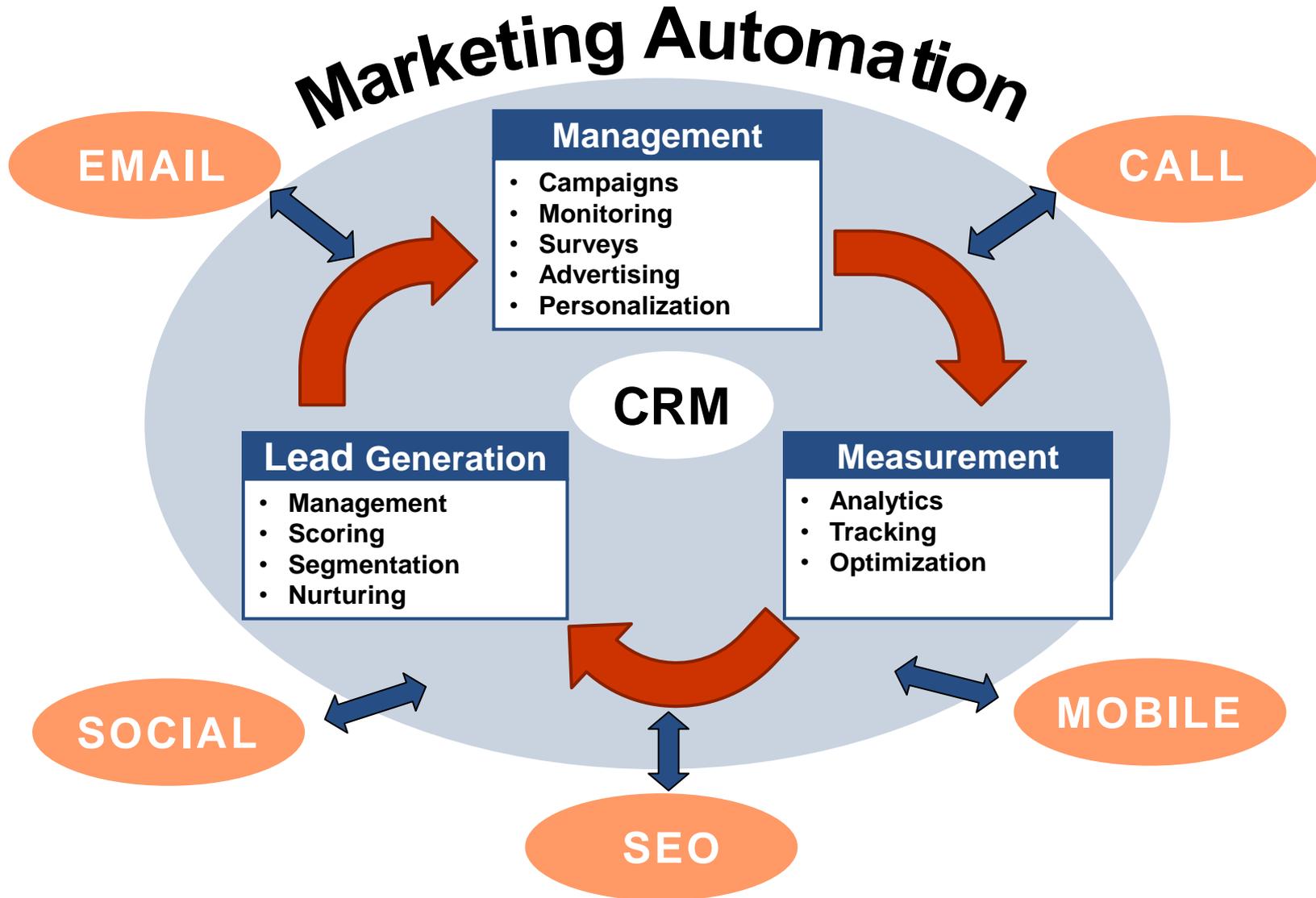
Internet of Things

Traditional Advertising / Marketing Services

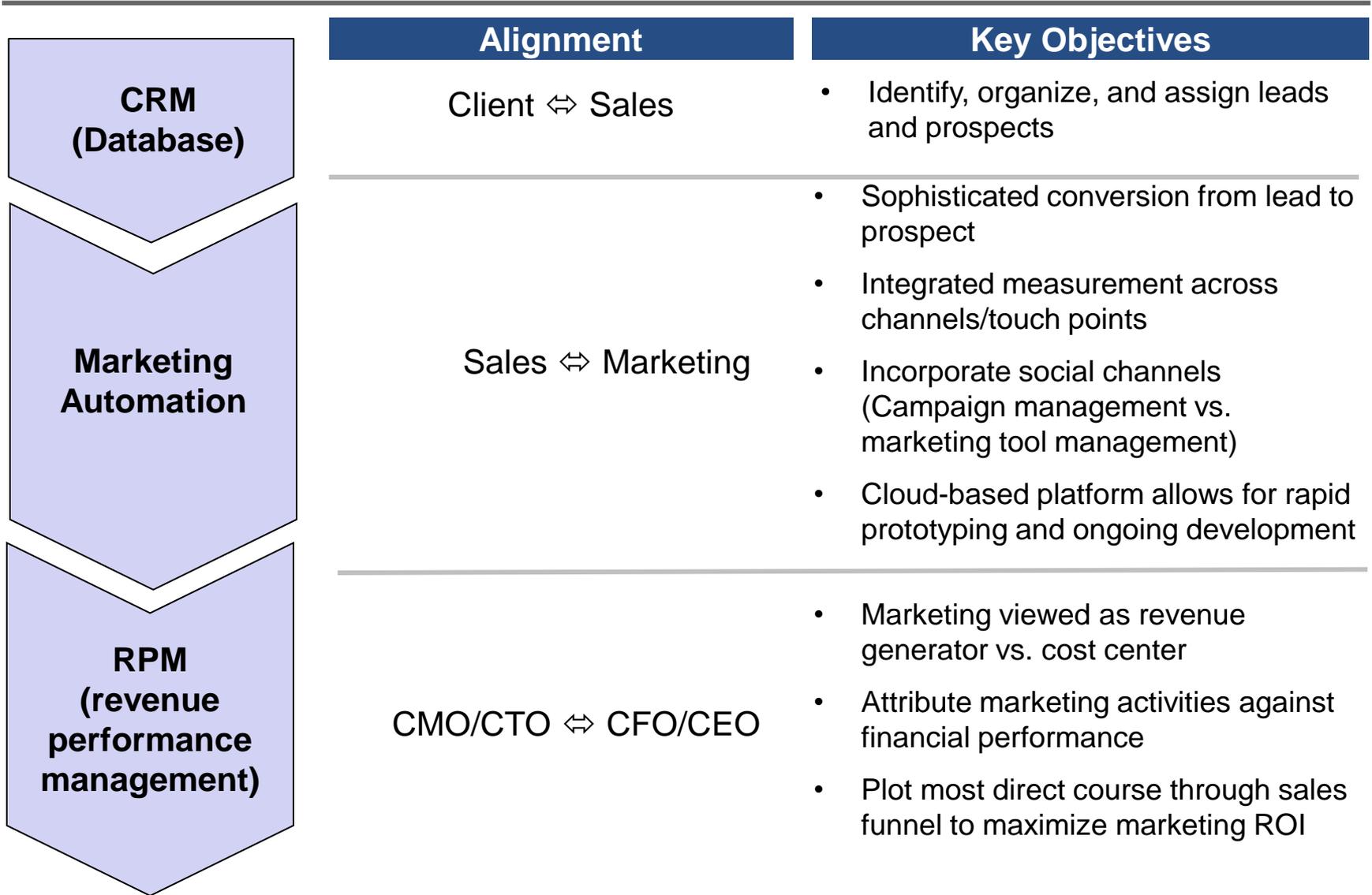
Evolution of Marketing Software

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

Basics of Marketing Automation Lifecycle



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			

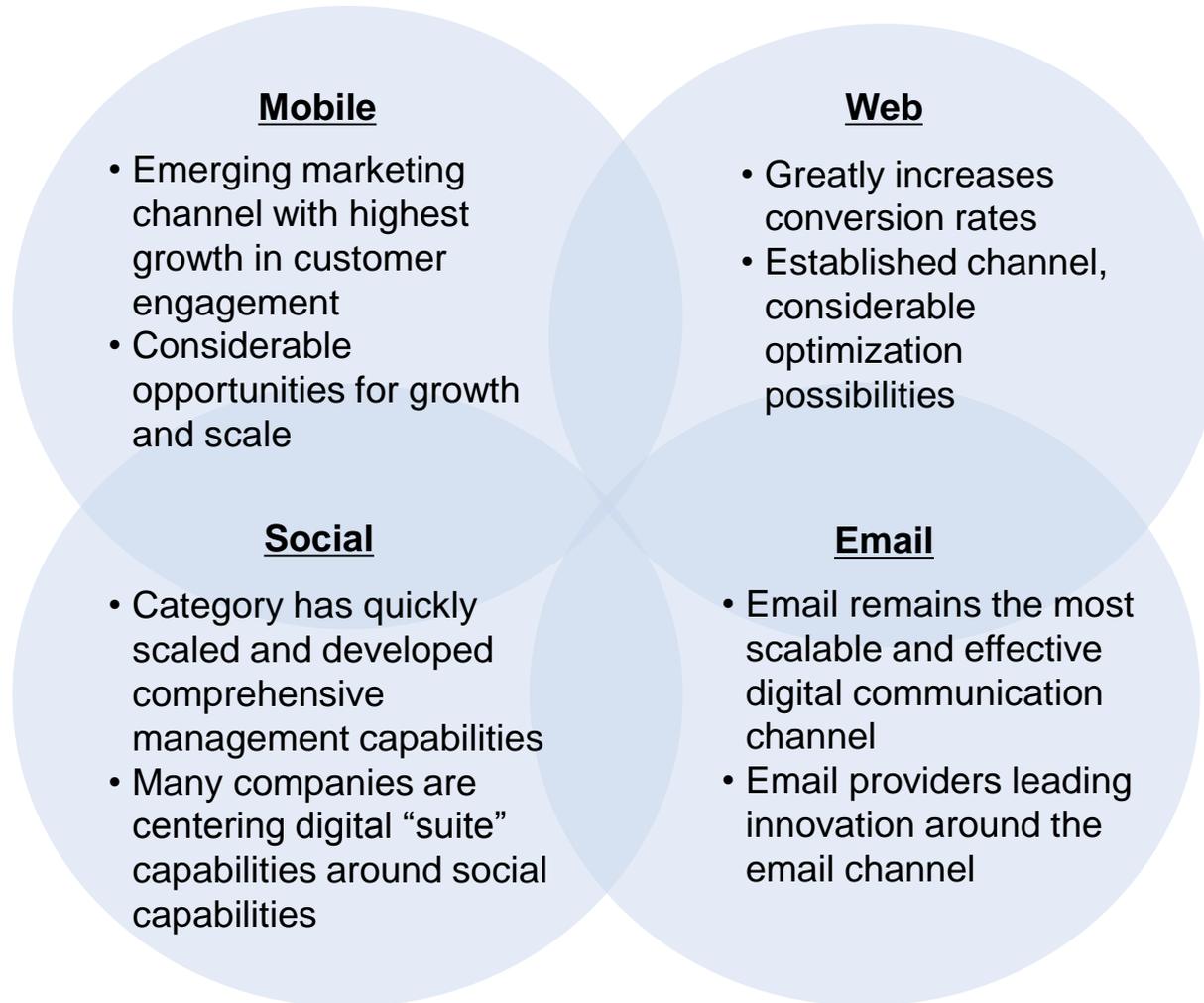
CRM (9)



Personalization



Marketing Automation Will Increasingly Be a Multi-Channel Story



Select Marketing Automation M&A in 2014YTD

(\$ 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

Sector

Ad Tech

eCommerce

Marketing Automation

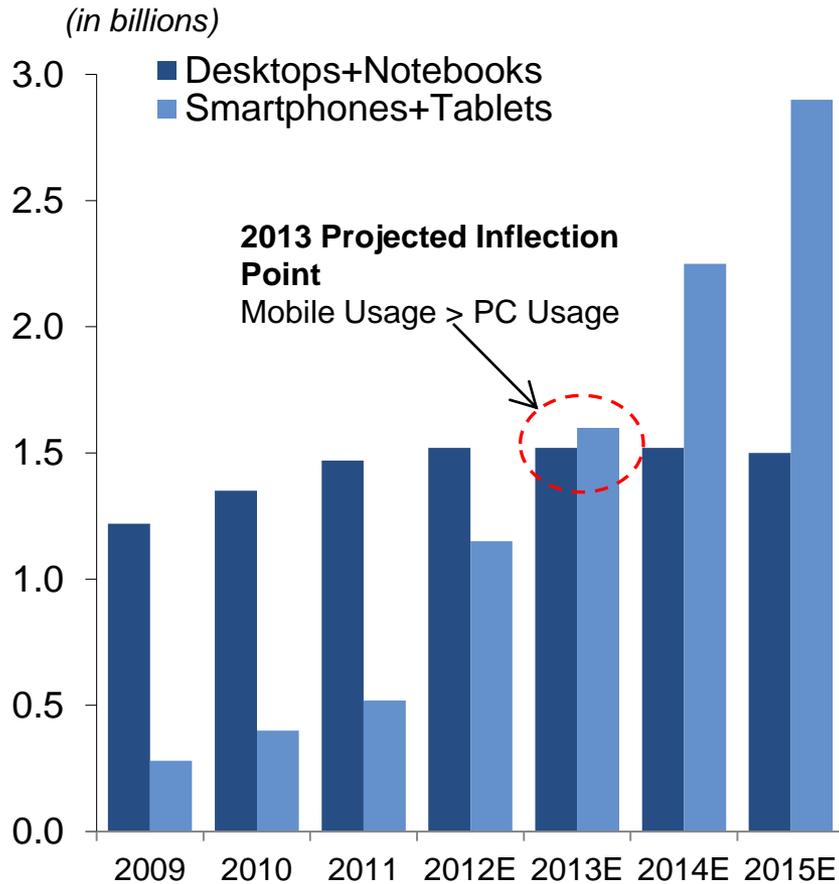
Mobile

Internet of Things

Traditional Advertising / Marketing Services

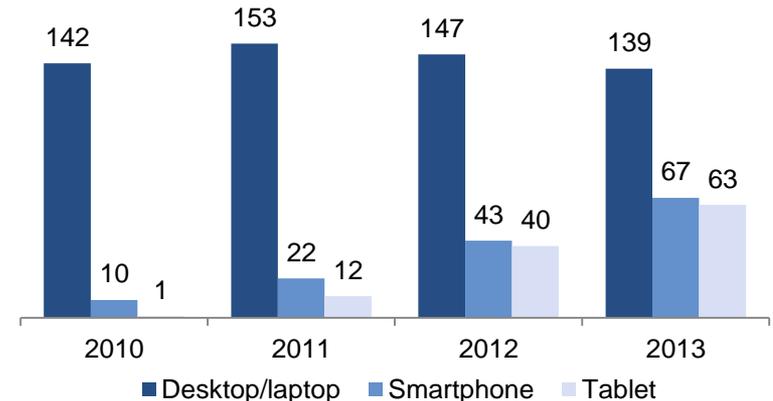
Mobile = Most Important Broad Theme in 2014

Global Installed Base



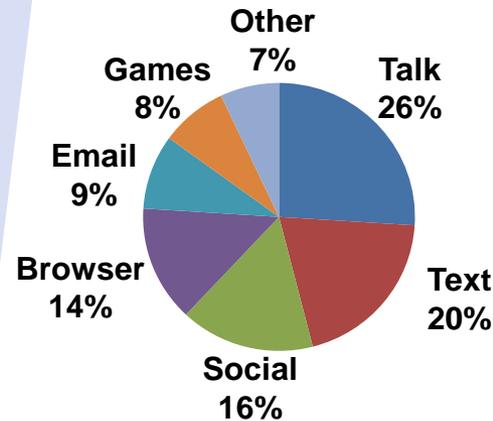
Note: Notebook PCs include Netbooks. Assumes the following lifecycles: Desktop PCs – 5 years; Notebook PCs – 4 years; Smartphones – 2 years; Tablets – 2.5 years. Source: Equity Research, 2012. Global data.

Average Timespend Per Day (minutes)



Source: eMarketer, Jul. 2013. US Data

Mobile Timespend is Spread Broadly



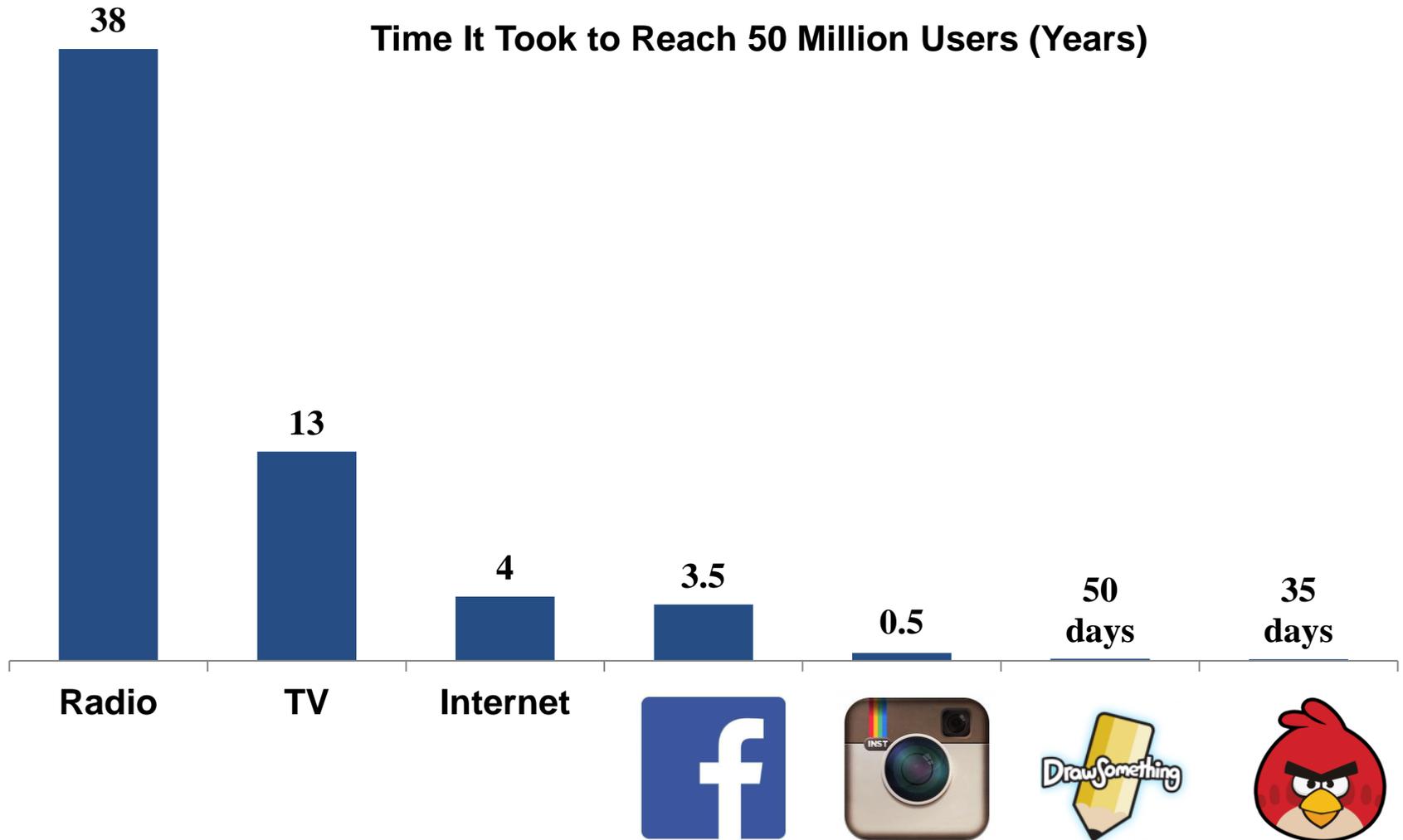
Non-Talk Applications = 70% Of Timespend

Source: Experian Marketing Services. US Data

Mobile Scalability is Increasing Dramatically

Unprecedented Mobile Adoption Cycle

Time It Took to Reach 50 Million Users (Years)

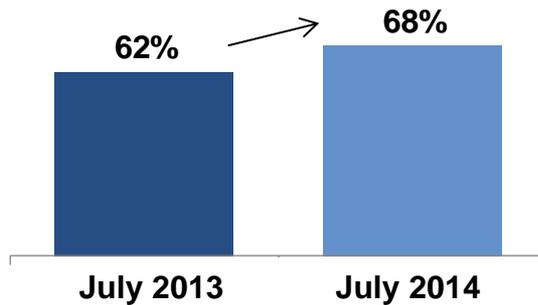


Source: Digital Buzz Blog, Extreme Networks

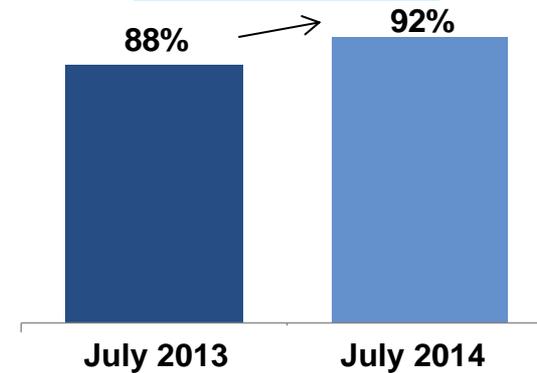
Mobile Starting to Dominate as Primary Social Channel

Share of Time Spent on Mobile

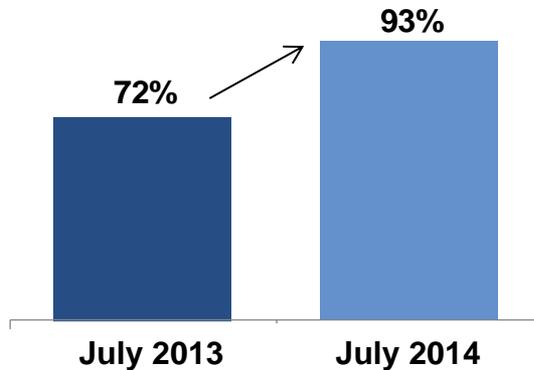
facebook



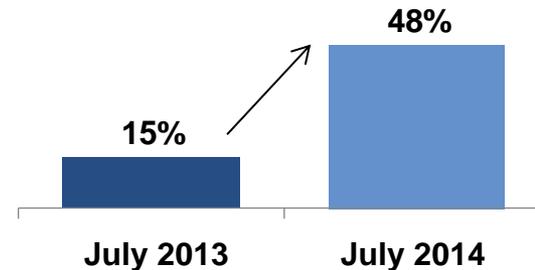
twitter



Pinterest



tumblr.



Source: DigiDay, 2014

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



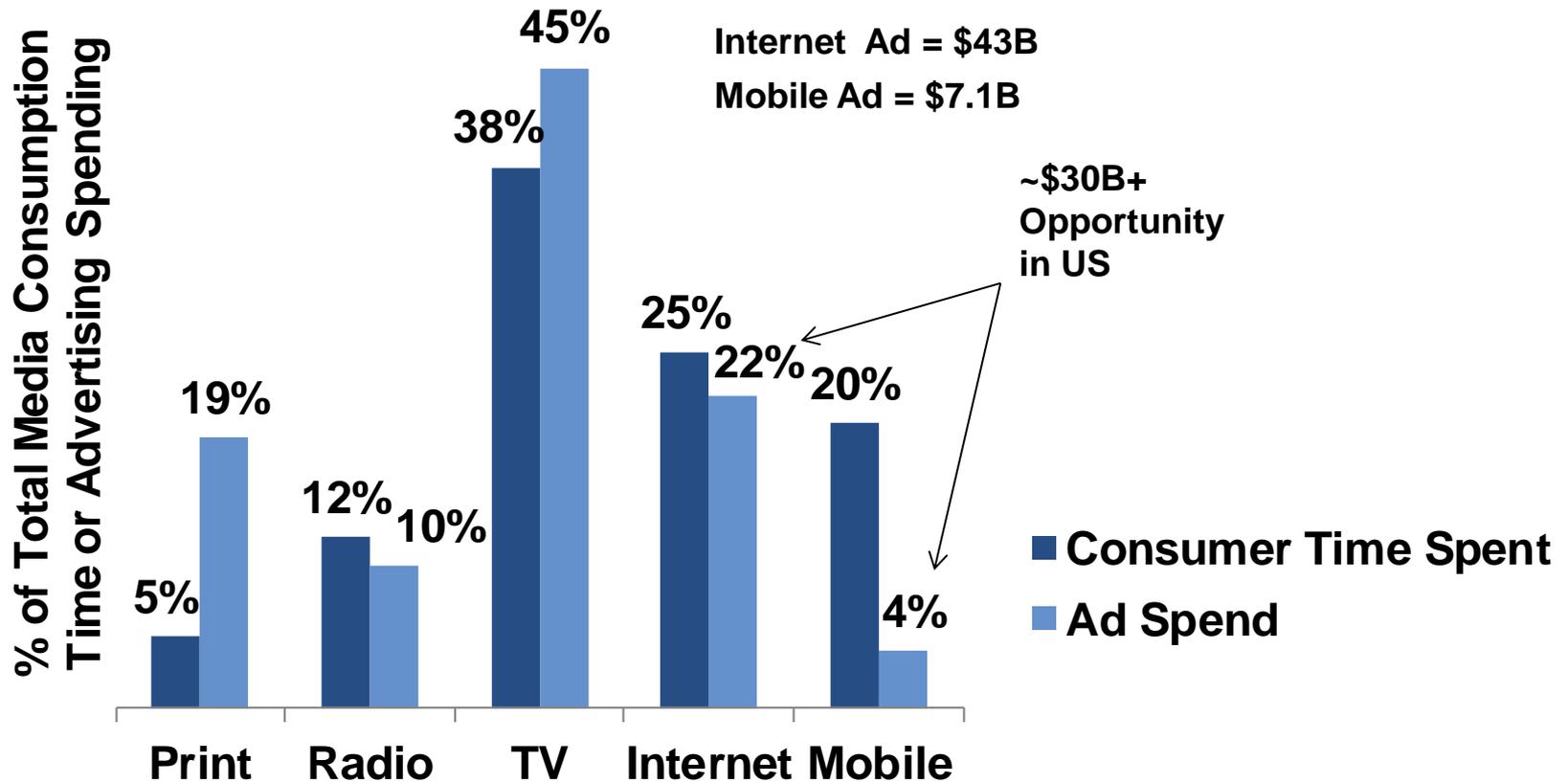
25%

Increase in Household Care



Consumer Usage is Ahead of Mobile Ad Spend

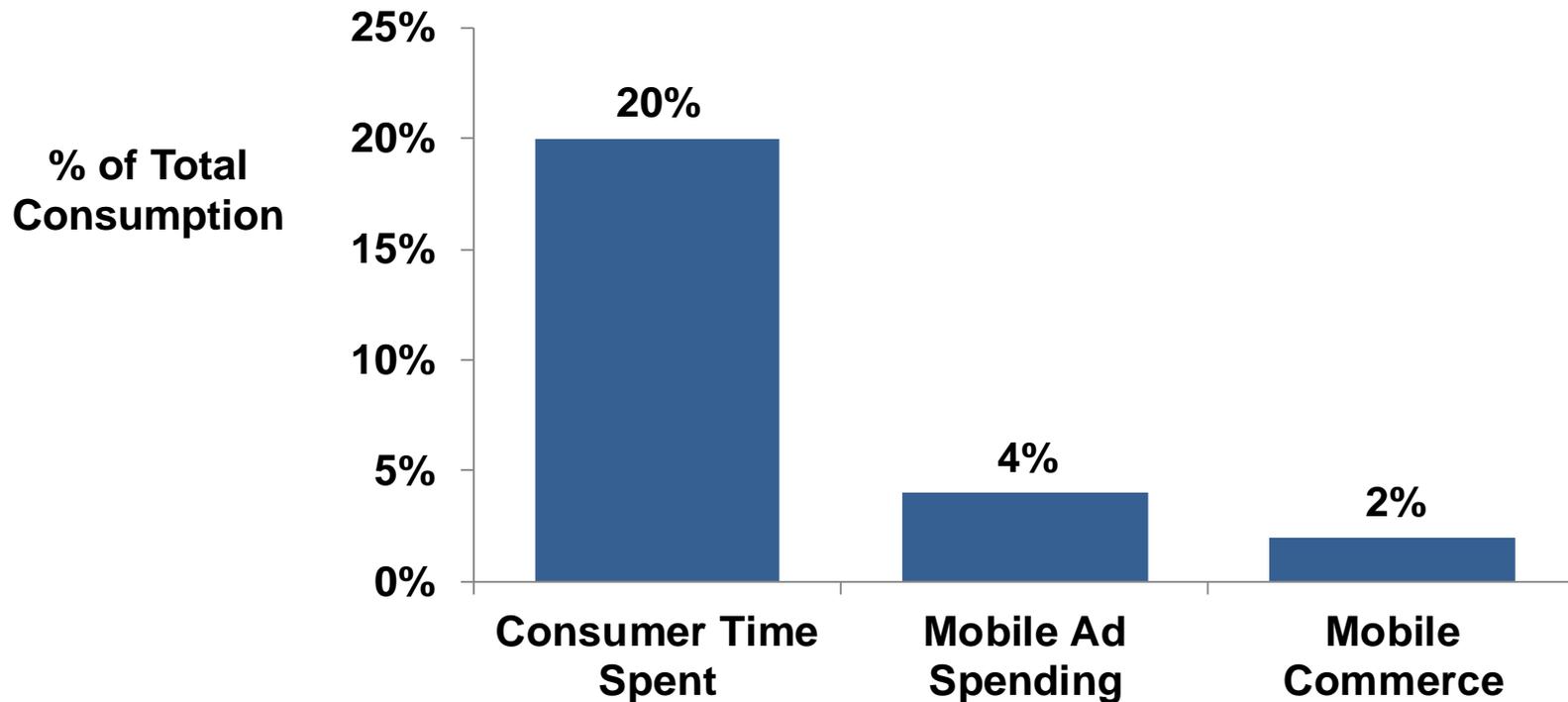
% of Time Spent in Media vs. % of Advertising Spending, USA 2013



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
<p>Utilities</p> <p> UBER</p>	<p></p> <p>Sidecar </p>	<p>Norikae-Annai</p> <p></p>	<p>✓</p>	<ul style="list-style-type: none"> Proliferation of the “Uber model” into other transportation-related verticals
<p>Media & Entertainment</p> <p> Spotify</p>	<p>PANDORA[®] internet radio</p> <p></p>	<p></p> <p></p>	<p>✓</p>	<ul style="list-style-type: none"> Pandora only non-game top 10 iPhone app of 2013 “Pandora model” replicated in other content verticals
<p>Messaging</p> <p> WhatsApp</p>	<p></p> <p> 腾讯网 qq.com</p> <p> WeChat</p>	<p> Instagram</p> <p> </p>	<p>✓</p>	<ul style="list-style-type: none"> Other privacy apps compete and specialty messaging apps gain traction WhatsApp has >600mm active users
<p>Health & Wellness</p> <p>mapmyfitness</p>	<p></p> <p>Workout BOX™</p>	<p></p> <p></p> <p></p>	<p>✓</p>	<ul style="list-style-type: none"> Exercise gamification Convergence of mobile & wearables
<p>Gaming</p> <p></p>	<p></p> <p></p> <p>MINECRAFT</p>	<p></p>	<p>✓</p>	<ul style="list-style-type: none"> Top iOS app of 2013 9 of top 10 most downloaded apps are in gaming

Select Mobile M&A in 2014YTD

(\$ 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

Sector

Ad Tech

eCommerce

Marketing Automation

Mobile

Internet of Things

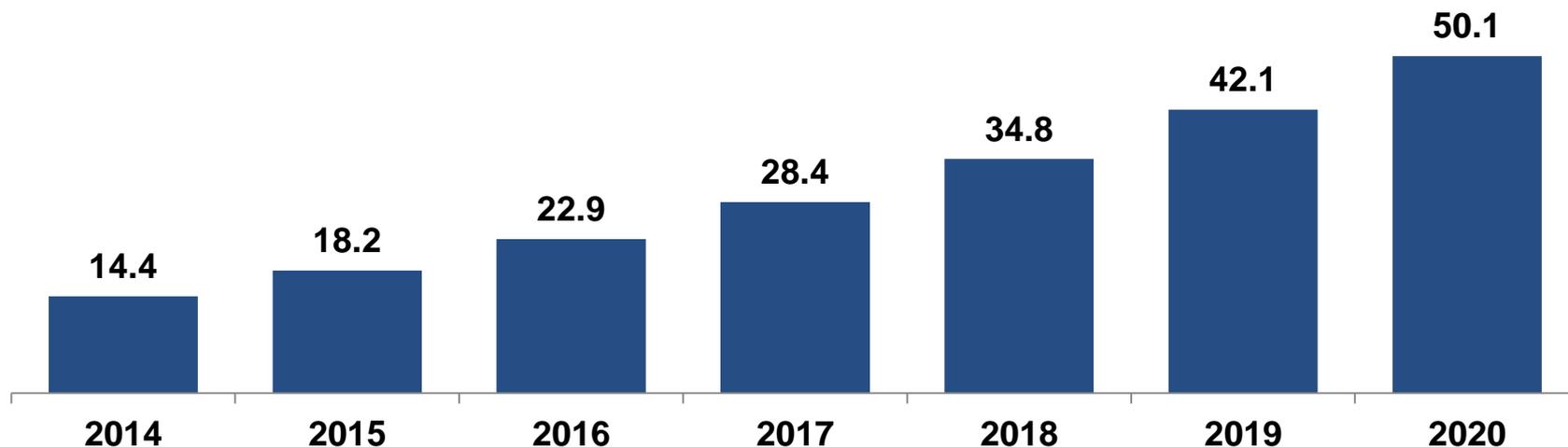
Traditional Advertising / Marketing Services

“Internet of Things” = Key Growth Area for the Broader Technology Ecosystem

Key Themes



Connected Objects Around the World: 2014 – 2020 (billions of devices)



Source: Cisco

Select Internet of Things M&A in 2014YTD

(\$ in Millions)

Date	Acquirer	Target	Size	Implied Enterprise Value to LTM	
				Revenue	EBITDA
Jan. 2014			\$3,200	NA	NA
May 2014			3,000	NA	NA
Jun. 2014			555	NA	NA
Aug. 2014			200	NA	NA
Jul. 2014			170	NA	NA

Sector

Ad Tech

eCommerce

Marketing Automation

Internet of Things

Mobile

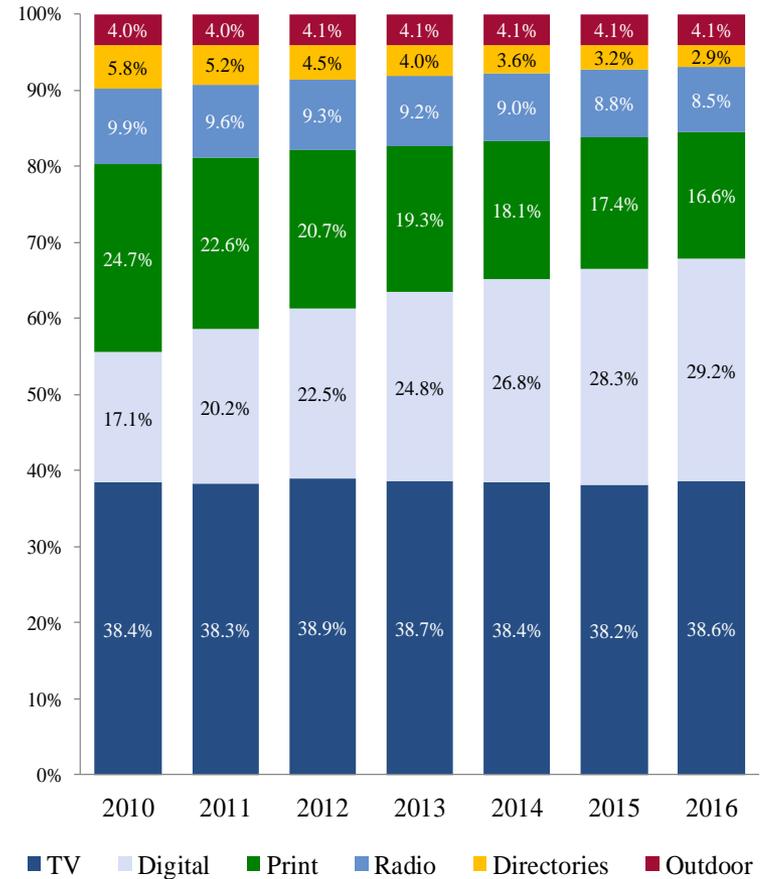
Traditional Advertising / Marketing Services

Secular Shift in Ad Spend to Digital

U.S. Total Ad Spending (\$ in Billions)



U.S. Total Ad Spending Share



Sources: eMarketer..

Key Threats to Core Traditional Agency Services

Creative

Key Threats

- Increased measurability and targeting capabilities
- Multichannel creative applicability and execution

Emerging Competitors



Key Thoughts

- Multi-channel integration
- New “angles” in mobile, social, and eCommerce
- Integration with ad measurement platforms

Production

- Efficient offshore models



- Enable large scale production, driving revenue, at low cost
- Develop in-house offshore teams, e.g. Digitas/Publicis

Key Threats to Core Traditional Agency Services (cont'd)

	<u>Key Threats</u>	<u>Emerging Competitors</u>	<u>Key Thoughts</u>
Media Buying	<ul style="list-style-type: none">• “Managed service technology” providers<ul style="list-style-type: none">– DSPs, DMPs and other ad tech tools• Ad Tech moving upstream, forging relationships directly with agency clients	    	<ul style="list-style-type: none">• Media buying agency claims face dramatic upheaval• The commoditization of DSPs<ul style="list-style-type: none">– Agency trading desks must build proprietary buying tech in order to compete• DMP begin to supply “research”-enabled RTB
Market Research	<ul style="list-style-type: none">• Cheaper, real-time data collection• Plentiful peer reviews and social media	   	<ul style="list-style-type: none">• Online surveys replacing traditional focus groups• Social media (“likes”) becoming a proxy for survey data

PE Firms Invest in Traditional Advertising / Marketing Services

(\$ in Millions)

Date	Acquirer	Target	Size	Implied Enterprise Value to LTM	
				Revenue	EBITDA
Jun. 2014			\$4,200	0.8x	NA
Jan. 2014			1,840	NA	NA
Apr. 2014			446	2.4x	NA
Jul. 2014			NA	NA	NA
Jan. 2014			NA	NA	NA
Mar. 2014			NA	NA	NA

III. Summary Thoughts

Summary Thoughts

- **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