



Solganick & Co.



Digital Media M&A Update

Q1 2016

April 13th, 2016

Table of Contents

- M&A Market Brief – Page 3
- Global M&A YTD 2016 – Page 4-5
- Digital Media M&A Driver 2016 – Page 6
- Notable Digital Media M&A Transactions, Q1 2016 – Page 7-8
- Publicly Traded Digital Media Firms (Valuation Table) – Page 9-10
- M&A Spotlight: Web.com buys Yodle – Page 11
- M&A Spotlight: WPP / Communications Media – Page 12
- M&A Spotlight: Oracle / AddThis – Page 13

DISCLAIMER

The information contained herein is of a general nature and is not intended to address the circumstances of any particular company, individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. We perform our own research and also use third party research. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. This is not an offer or recommendation to buy or sell securities nor is it a recommendation to merge, acquire, sell or exit a specific company or entity. We do not hold any equity or debt position in any of the securities listed herein as of the date of this report.

Sources for our research and data include: MergerMarket, Wall Street Journal, 451 Research, S&P Capital IQ, Company Websites, SEC Filings, Bloomberg

M&A Market Brief

Q1 2016 M&A Activity Slows, Volatile Start to the Year

Worldwide

- According to MergerMarket, worldwide M&A activity during the first quarter of 2016 slowed significantly following a record year. Deals are re-balancing towards a more sustainable level with Q1 2016 deal value amounting to \$597.4 bn, down 24% from Q1 2015. It also represents a significant decline from the previous three quarters that all posted more than \$1 tn in deal activity.
- Amid greater global uncertainty, the mega-deal frenzy that started in 2014 is also beginning to wind down as companies look towards less sizeable deals. During Q1 2016, 8 mega-deals (>\$10 bn) were recorded at \$158.5 bn, down from 13 worth \$259.4 bn in Q1 2015. Despite this, it is still the second highest Q1 value since 2009.
- In sharp contrast to 2015, when the United States and Asia exhibited a greater appetite for deals, the two regions saw a slowdown in deal activity of over 30%. Meanwhile, in Europe, deal value amounted to \$174.6 bn as the region has attracted a lot of Chinese interest this year, keeping activity on par with a slight 2.6% decrease compared to Q1 2015.
- Despite signs of a broader cooling down, China scaled up its search for foreign targets in Q1 2016. Its outbound activity accounted for 26.3% of total cross-border deals, a steep increase considering no full year has ever surpassed 7.6%. Total deal value amounted to US\$ 81.7bn in the first quarter, already a record annual total.

United States

- Within the United States, deal activity also showed signs of cooling down in the first quarter of 2016. 1,007 deals worth a total of \$241.5 bn was recorded during the period, down 33% compared to Q1 2015's 1,250 deals worth \$361.3 bn. The US share in global M&A activity stood at 40.5%, down from 46.2% during the record year of 2015.
- While the US has seen its total outbound deal value fall by 5.7% from Q1 2015, China's outbound value has grown significantly in the same period by 348.8%. China leads the US 73.1% by outbound value with 85 transactions worth \$ 82.1bn, versus the US's 241 transactions worth \$ 47.5bn. As China strides toward larger foreign transactions, this gap could very well continue to widen.
- Pharmaceuticals, Medical & Biotech led US M&A activity entering 2016, with \$55.9 bn recorded in Q1, followed by Energy, Mining & Utilities (\$48.2 bn) and Industrials & Chemicals (\$42.8 bn). Technology came in fourth, with \$24.1 bn of deals recorded during the three months. Tax inversion targets, traditionally coming from the Pharma, Medical & Biotech sector, now appear to be shifting toward other sectors such as Industrials & Chemicals, in a bid to scale up to >\$100 bn conglomerates.

Digital Media

- Overall M&A activity across the digital media industry remains robust YTD 2016. Several notable billion dollar deals were announced in Q1 2016, encompassing entertainment, health care, and advertising industries, etc.
- In Q1 2016, the largest transaction in the Digital Media sector recorded for a total deal value of \$3.5 bn was Dalian Wanda's acquisition of Legendary Entertainment. It's the largest cross border culture acquisition in history. Other prominent billion dollar acquisitions include Comscore's acquisition of Rentrak, which reaches a post money valuation of \$1.2B.
- Within Adtech and Digital Marketing, the M&A environment remained favorable. In Q1, Adtech totaled 131 deals, capital invested amount to close to 3 billion in this sector alone. and in Digital marketing, a total of 169 deals were recorded for a total deal value of 2.4 Billion, for a median deal size of \$25.27 mm.

Global M&A YTD 2016

2015 was the biggest year on record for global technology and digital media M&A for both volume and activities. Entering into 2016, global technology and digital media M&A stands at \$71.4 bn via 1535 deals so far in 2016, the highest YTD level since 2000 and up 53% on 2015 YTD (46.6bn). Technology sector is the second most targeted sector globally in 2016, accounting for 12% of global M&A volume and 26% of activity. Volume has been driven by 15 \$1bn+ deals announced in the sector so far this year, the second highest YTD level on record with \$37.4bn behind 2014 (\$39.2).

China Leading Acquiring Nation for Technology M&A

For the first time, China is the top acquiring nation globally with \$34.7bn in 2016 YTD (222 deals) and accounts for a record high volume share (49%). The US is the leading acquiring nation for activity with 493 deals (\$21.2bn), up 10% on 2015 YTD (448 deals).

\$18.3bn Record Technology Cross-Border Volume

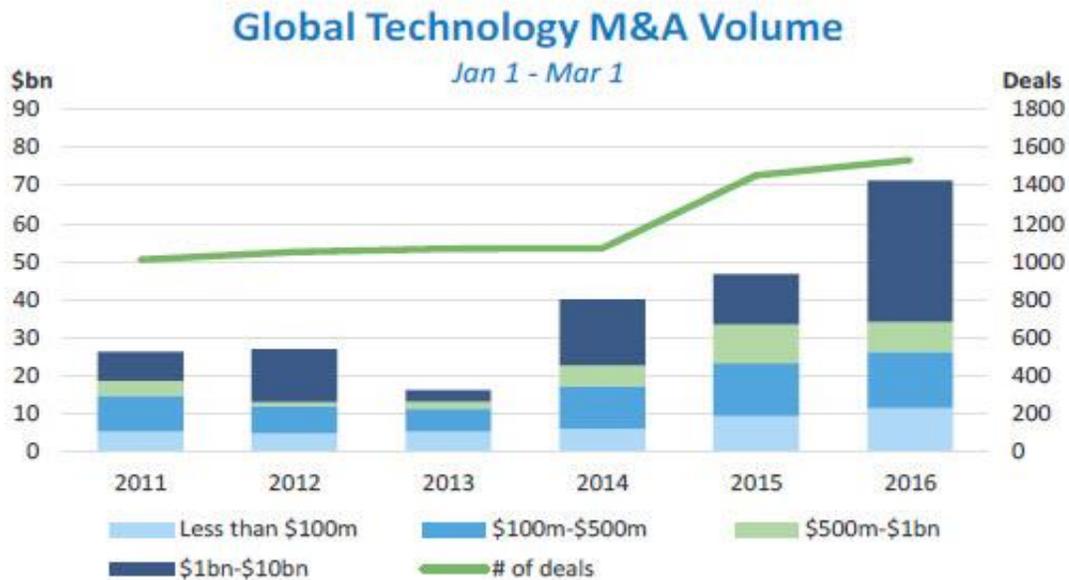
Technology targeted cross-border M&A volume of \$18.3bn in 2016 stands at the highest YTD level on record. China is the leading acquiring nation for volume (\$10.7bn via 29 deals) and the US for activity (\$3.1bn via 82 deals). Tianjin Tianhai's proposed \$6.3bn acquisition of Ingram Micro, announced on February 17, stands as the largest China outbound M&A deal in the sector and also the largest cross-border technology M&A deal since NXP Semiconductors' \$16.8bn acquisition of Freescale Semiconductor, completed in December 2015

\$48.3bn US Targeted Cross-Border M&A in 2016 YTD

With \$48.3bn, US targeted cross-border M&A volume so far in 2016 stands at the highest YTD total since 1999 (\$80.9bn), which included the \$61.5bn acquisition of Airtouch Communications by Vodafone, the second largest US targeted cross-border M&A transaction on record.

China (\$23.5bn) and Canada (\$18.3bn) lead volume this year so far with record acquisitions into the US. Combined, the two nations account for 87% of US targeted cross-border volume in 2016 YTD, compared with a 49% share in 2015 YTD.

Fig 1. Global Technology M&A volume



\$9.7bn Private Equity and Financial Sponsor Entry Volume Declines Year-On-Year

2016 YTD volume for global private equity and financial sponsor (FS) M&A entries is down 39% year-on-year to \$9.7bn (171 deals). It's the third consecutive YTD drop but the previous three years have finished higher, peaking in 2015 with \$289.4bn, an eight year high since the record private equity years of 2006 (\$685.9bn) and 2007 (\$688.3bn). A decline in midsize deals so far this year have impacted volume, accounting for an 8% share of global entry M&A activity with \$4.8bn via 14 deals (the lowest since 2009 YTD with nine deals) and down from an average annual share of 13% over the last 10 years.

Source: Dealogic

Digital Media M&A Drivers 2016

As the culmination of most of the trends of the past 5 years, there are several big trends that are happening this year in digital media.

Global Mobile: The rapid adoption of mobile devices and changes in communication and messaging is altering the shape of traditional business models. These new forms of communication and messaging are bringing new types of multichannel and multimedia content. For example, in the print market business model is changing because of the growing adoption of mobile devices, they are moving into creating new print requirement and opportunities such as mobile print solution and loud printing services. (*source: Gartner*) Mobile is everywhere and has bypassed desktop/laptops all together. Companies are starting to project brand DNA in mobile applications, and user experience has never been more critical.

Content Distribution: While content is still vitally important, content distribution becomes more critical than ever. Getting content onto the mobile devices of your audiences has become the next big frontier. Brands are experimenting new distribution platforms like Snapchat, while other distribution platforms like Netflix is getting into content business. Such trends will continue grow in 2016, as music, video, movies, TV, photos, long-form articles, advertising will rise and fall with effective and efficient distribution.

Big Data Big Intelligence: Big data can be a big mess without an intelligence plan. Data needs to be turned into actionable business insights in order to truly aid decision-making. In addition to providing insights, such intelligence can drive content and distribution.

Virtual Reality: VR is becoming this year's digital media headline story. We know Facebook acquired Oculus for \$2 billion in 2014, but Oculus is not alone. Virtually all major consumer electronics giants will flood the market with millions of premium VR headset at price points that will drive adoption akin to the early days of game consoles. For major studios and the creative community in general, VR presents a tantalizing new mega-commercial opportunity to thrill consumers with new forms of story-telling, such as Jaunt, a bay-area company that closed a massive \$65 million round of financing in 2015 from the likes of media giants Disney and ProSeiben, made the biggest splash on the creator side.

Over-the-Top Content and Multi-Platform Networks: Last year, NBC invested \$200 million into Vox media and another \$200 million in BuzzFeed, it went all-in with OTT. It also announced a stand-alone subscription service, Seeso in Jan, 2016. Another trend to look for is media companies move beyond YouTube into the land of Facebook and Snapchat. There's gold in those mobile-first vertical hills populated by a particularly rabid and underserved digital-native customer base.

Source: Huffpost Business, Variety, Gartner

Notable Digital Media M&A Transactions, Q1 2016

Announcement Date	Target	Acquirer	Deal Value (mm)	EV/ Rev	EV/ EBITDA	Target Description
3/31/2016	Nice,Ltd	Amazon Web Service				Software that enables high performance and technical computing
3/8/2016	Webzen Inc.	FunGame (HK) Ltd	169	2.48	7.69	A portal for online video games
2/1/2016	Tapad	telenor asa	360			Develop software and services for cross-device advertising and content delivery
2/11/2016	Yodle, Inc	Web.com Inc	342			Sells online marketing, to small businesses in US and Canada.
2/18/2016	Gameloft, Inc	Vivendi SA	467	2.35	80.3	A French video game developer and publisher headquartered in Paris
2/18/2016	Lytix, Inc	GTCR, LLC	500			It develops video based driver safety/fleet management
1/15/2016	Activision Blizzard, Inc.	Barclay bank	1,100	5.85	19.2	Interactive gaming and entertainment company
1/5/2016	AddThis	Oracle, Inc	175			A media web-tracking technology company based
1/12/2016	Hangzhou Miaoju	CHTC Helon Co., Ltd	262			Operates as an internet service provider operating, publishing and promoting online games
3/3/2016	Shanghai Snowfish Tech Co., Ltd	Allwin Telecommunicatio n Co	284			Develops wireless and mobile games, and operates mobile gaming platform
3/14/2016	Hangzhou Lidong communication technology Co.,Ltd	Beijing Baofeng Technology Co., Ltd	150			Reserches, develops, and operates mobile terminal online games.
3/15/2016	Jagex, Ltd	Shanghai Hongtou Network Technology Co., Ltd.	300			UK's largest independent developer and publisher of online games
3/17/2016	Beijing Zhixing Ruijing Technology Co., Ltd.	Shanghai Ganglian E-Commerce Holdings Co., Lt	231			Operates websites and other IT vertical portals.
3/18/2016	ZoL.com.cn	HC International Inc	231			Ecommerce with 5+ million users
3/29/2016	Leadgenix, Inc	Bigleap, Ind				offers search engine optimization, online reputation management social media, and internet marketing services in United States.

3/29/2016	Dean Media Group	Fusion92		Provider of marketing services, such as media strategy and planning, brand development and design services.
3/24/2016	Piqora	Olapic		Provider of a multi-channel visual marketing and visual commerce platform for businesses and publishers
3/11/2016	HelloSociety	The new york times		Provider of a social-media marketing platform, focusing on content creation and analytics
2/25/2016	Manifest Commerce	Rakuten		offers a multi-channel, automated advertisement platform
2/11/2016	HeBS Digital	Hospitality Tech Holdings and Public Pension Capital Management		offers hotel Internet marketing, search engine optimization, online media and re-targeting and website revenue optimization consulting services.
1/28/2016	Eveo	Alphaeon		Provider of digital marketing services to the pharmaceutical, biotech and medical device industries.
1/20/2016	Vital Media	Spectrio		offers on-hold marketing messaging, graphic screens and waiting room TV messaging to automotive service markets.
1/20/2016	Buycalls	CLEARLINK Technologies		focuses on direct response marketing, search engine optimization, lead generation and partner management.
3/17/2016	Drips	Kickstarters		offers an online platform that enables users to download and stream music albums.
3/8/2016	Hyper	Mic		develops a mobile application that aggregates video content from across the Web and packages it into a digital magazine-type format.
1/12/2016	Legendary Entertainment	Dalian Wanda	3,500	The company creates, develops, co-produces, co-finances and distributes motion pictures through a strategic partnership with Warner Bros.
3/17/2016	StageBloc	Fullscreen		Provider of a web platform for creatives, brands and their fans to create, manage and grow web presences

Source: Capital IQ, Pitchbook

Publicly Traded Digital Media Firms Valuation Table

Digital Media/Advertising	Ticker	Stock Price	Market Cap	EV/Revenue	EV/EBITDA
Interpublic Group of Companies	IPG	22.95	9.37B	1.3	9.6
Omnicom Group Inc.	OMC	83.32	22.8B	1.5	10.3
Publicis Groupe SA	PUB.PA	68.5	17.5B	1.91	10.20
WPP plc	WPPGY	23.3	18.36B	2.0	12.0
			Average	1.68	10.53
Diversified Media	Ticker	Stock Price	Market Cap	EV/Revenue	EV/EBITDA
CBS Corporation	CBS	55.09	26.67B	2.50	13.10
Comcast Corporation	CMCSA	54.67	135.91B	2.50	7.70
News Corporation	NWS	12.38	7.2B	0.60	6.80
The Walt Disney Company	DIS	95.55	160.72B	3.40	11.10
Time Warner Inc.	TWX	68.35	55.7B	2.80	10.40
Twenty-First Century Fox, Inc.	FOXA	27.88	56.69B	2.40	11.40
			Average	2.37	10.08

Internet	Ticker	Stock Price	Market Cap	EV/Revenue	EV/EBITDA
Alibaba Group	BABA	76.58	188.5B	14.6	40.5
Amazon	AMZN	513	239.56B	2.2	28.1
Apple	AAPL	102.17	580.57B	2.6	7.5
Baidu	BIDU	186.5	65.37B	5.9	10
eBay	EBAY	23.86	28.82B	3.5	10.3
Facebook	FB	114.1	319.82B	17.1	37.6
Google	GOOG	697.61	477.6B	5.5	17
IAC/InterActiveCorp	IACI	47.08	3.9B	1.5	12.7
LinkedIn	LNKD	114.35	14.75B	4.3	47.3
Netflix	NFLX	95.91	40.85B	6.2	113.9
Yahoo	YHOO	31.68	29.75B	5.1	55.95
Average				6.36	23.44

M&A Spotlight



Web.Com Buys Yodle for \$342M

New York-based Yodle Inc. has been toying with the idea of an initial public offering for almost two years. Today, it opted for M&A instead. The marketing software maker agreed to sell itself to Web.com Group Inc. (Nasdaq: WEB). Yodle, which has raised a total of \$40 million in venture capital to date, is set to receive \$300 million on the day the deal closes, plus an additional \$42 million over the next two years. Web.com, a provider of Internet marketing services, will shell out \$20 million and \$22 million at the first and second anniversary of the closing date, respectively.

"Value added digital marketing solutions are a large and fast growing portion of the market where Web.com has developed a differentiated set of offerings," said David Brown, chief executive of Web.com, in a prepared statement. "This market segment has been a strategic focus for us for several years, and the purchase of Yodle will solidify our position as a leading national provider in this space."

Yodle has roughly 1,400 employees and generates about \$200 million in annual revenue. The transaction is expected to close by the end of the first quarter of 2016, has been approved by both Web.com's and Yodle's board of directors. Among Yodle's backers are Icon Ventures, DFJ Growth, MentorTech Ventures and Bessemer Venture Partners. Today's transaction was funded with debt financing, including a new \$200 million term loan as well as approximately \$100 million from the current revolving credit facility.

Founded in 2005, Yodle provides a range of digital marketing services for small businesses, including building web sites, placing online ads and developing their social media presence.

Source: <http://www.bizjournals.com/newyork/news/2016/02/11/yodle-agrees-to-342takeover-offer-from-web-com.html>

WPP



GroupM (WPP) Acquires Healthcare Media Agency Communications Media, Inc. (CMI)

WPP has announced the acquisition of one of the largest healthcare media agencies in the US in Communications Media, Inc. (CMI).

As part of the deal CMI will merge with WPP's Ogilvy CommonHealth Medical Media and will become a media investment management hub for GroupH, parent company for WPP's healthcare specialist companies.

CMI generated unaudited revenues of US \$38 million as of December 31, 2015 and has 10 of the top 20 pharmaceutical advertisers in the United States as clients. The Philadelphia headquartered firm represents 340 brands among 51 clients.

The company is a leading provider of media investment management and non-sales force promotional strategy, planning, customer insights and data solutions to the healthcare and life sciences industries.

This acquisition continues WPP's strategy of investing in the pharmaceutical and healthcare markets in the US.

Source:<http://www.thedrum.com/news/2016/03/29/wpp-strengthens-its-footing-us-pharmaceutical-market-communications-media-inc>



Oracle Buys Audience Tracking Firm AddThis For Around \$200M

January 5, 2016 - Oracle continues to ramp up its business in the area of marketing tech. Today the enterprise software giant announced that it has acquired AddThis, which makes sharing features (i.e., those buttons on web pages that let you share stories or follow accounts on Facebook, Twitter, etc.) and audience tracking technology for online publishers and marketers. AddThis says it currently covers activity data for 1.9 billion monthly unique visitors and over 15 million mobile and desktop web domains.

Oracle and AddThis are not disclosing the terms of the deal, but we have been digging around, and sources with knowledge of the company tell us that it was in the region of \$100 million to \$200 million, closer to the latter. The acquisition underscores a couple of bigger developments in the world of advertising and marketing tech.

The first of these is the growing role that Oracle is playing in this area. Oracle says that it will continue to serve existing clients of AddThis, but it is currently evaluating the future product roadmap. More concretely, AddThis will become a part of Oracle's Data Cloud business, a division that also includes assets from two other recent Oracle acquisitions: BlueKai (advertising data) and Datalogix (marketing data). Taken together, the technology and big data portfolios that Oracle has amassed in this division give the company a strong play for more business from brands and ad firms, as well as from online content companies that want better tools to make better sense of their audiences and to monetise them more effectively.

Secondly, the deal points to a wider trend for consolidation in marketing tech and ad tech. While AddThis has been around for more than a decade, it's interesting to see that it finally made the leap to join a bigger company. AddThis and Oracle had already been working together prior to the acquisition, so it may have been one of those classic cases of two companies pairing up provisionally before making the leap to join forces more formally. But more importantly, what a sale gives AddThis is automatic access to reach, capital and a wider suite of complementary technology that, had AddThis stayed independent, it would have had to built itself to remain competitive with others. AddThis is Oracle's 96th acquisition.

Source: <http://techcrunch.com/2016/01/05/oracle-addthis/>



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 cover the Digital Media sector comprehensively including digital and advertising agencies, advertising software and technologies, Internet, ecommerce and media conglomerates. 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.

Please contact us for information regarding this report or to inquire about an M&A transaction.



Solganick & Co., Inc.
8560 West Sunset Blvd, Suite 500
West Hollywood, CA 90069
+1 (310) 684-3130
www.solganickco.com

Aaron Solganick, CEO
aaron@solganickco.com

Rachael Fang, Associate
rfang@solganickco.com

Michael Okayo, Associate
mokay@solganickco.com

Alex Khoras, Director of Business Development
akhoras@solganickco.com

Darryl Tan, Analyst
dtan@solganickco.com

Follow Us on Twitter: [@TechMediaMerger](https://twitter.com/TechMediaMerger)