JEGI SECTOR INSIGHTS

13th Annual
JEGI Media & Technology Conference:
Transformational Growth through Innovation + Change

Time Warner Center, January 12, 2017
THE EVOLUTION OF THE DIGITAL MARKETING MACHINE AND THE ENTERPRISE SERVICES STACK

Amir Akhavan, Managing Director
David Clark, Managing Director
1.0 - JEGI VIEW OF A FRAGMENTED ENTERPRISE MARKETING MANAGEMENT TECHNOLOGY STACK IN 2012

So 2012.....

EMM Stack

- BI
- Analytics
- MRM
- CEM / CIM
- CRM
- MOM / WCM
- MAM / PDM
- DMP
ACCELERATION OF M&A TO CREATE THE DIGITAL MARKETING MACHINE

Deal Value:  
$25 bn  +  $50 bn  =  ~$75 bn

2010-2013

IBM  Adobe  Oracle  Salesforce  SAP  Microsoft
Coremetrics  Omniture  Market2Lead  Jigsaw  hybris  Skype
unica  DemandDex  ENDECA  RightNow  heroku  HubSpot
Netezza  Context Optional  FatWire  etacts  spinback  kxen
Varicent  downstream marketing  Vitre  radian  social media monitoring
C3  auditude  efficient  involver  BUDDY MEDIA
Deекsa  tealeaf  efficient  frontier  ELOQUA
K2  neolane marketing that delivers

2014-2016

Silverpop  Fotolia  Responsys  Bluekai  Akta
Resco  Front Porch Digital  Datalogix  Maxymiser  Demandware
Aperto  ecx.io  Livefyre  AddThis  Hipmunk
eBukku.com  Bluewolf  TubeMogul  Crosswise  Cloudflare
Fluid  SeeWhy  Parature  Junction Solutions
Abakus  Krux  Gravitytank  NETSUITE  Linkedin
2.0 - DIGITAL MARKETING MACHINE

Digital Marketing, Commerce and Content Platforms

- salesforce
- SAP
- Microsoft
- IBM
- Adobe
- ORACLE
- Magento
- hybris
- demandware
- Google
- sitecore
- SharePoint
- Adobe Experience Manager
JEGI SECTOR TRANSACTIONS

Marketing Tech & Ad Tech

Tech-Enabled Marketing Services
## New Market Entrants

<table>
<thead>
<tr>
<th>Category</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting</td>
<td>Deloitte, Accenture, IBM, pwc, BCG, EY, Capgemini</td>
</tr>
<tr>
<td>Tech Services</td>
<td>Cognizant, GlobalLogic, ICF, Infosys, perficient</td>
</tr>
<tr>
<td>Alt. Agency</td>
<td>BlueFocus, CapitalOne, kyu, Merkle, St Ives Group</td>
</tr>
<tr>
<td>In House</td>
<td>salesforce, twitter, Mediacom, crestonplc</td>
</tr>
<tr>
<td>PE Platforms</td>
<td>SITEWORX, r2i, liquidhub, HERO_digital, RIGHTPONT</td>
</tr>
</tbody>
</table>

### Consulting
- Deloitte
- Accenture
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### In House
- salesforce
- twitter
- Mediacom
- crestonplc

### PE Platforms
- SITEWORX
- r2i
- liquidhub
- HERO_digital
- RIGHTPONT
### Accenture Interactive

Accenture Interactive named the world’s biggest and fastest growing digital agency network

*Advertising Age*

#### Recent Digital Transactions:

<table>
<thead>
<tr>
<th>A Cunning Plan</th>
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<tbody>
<tr>
<td>Acquity</td>
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<td>Karmarama</td>
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<td>Allen International</td>
<td>Kurt Salmon</td>
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<td>Avventa</td>
<td>MobGen</td>
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<td>BrightStep</td>
<td>New Energy Group</td>
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<td>Chaotic Moon</td>
<td>PacificLink</td>
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<tr>
<td>dgroup</td>
<td>Reactive Media</td>
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</tbody>
</table>

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### Recent Digital Transactions:

- Resource
- Exc.io
- Aperto

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2nd largest digital network worldwide

*Advertising Age*
"Digital" is redefining brand interactions and customer experience, everywhere
Expectations around customer experience and digital performance are high and unforgiving.

- Amazon: “Fast, infallible and cost effective”
- Apple: “Looks good and works great, right out of the box”
- Uber: “Knows me and gets me where I need to go on demand”
Integrated strategy, technical and creative skills required to develop and deploy enterprise-scale “digital experience” platforms

FORCES AT WORK II – CONSUMER EXPECTATIONS

Strategy / Consulting + Design / Technical + Creative / Data

Digital Domains × Digital Touchpoints × Digital “Must Haves”

= Pain Points for Brands

= Sizeable Market Opportunity
Global Commerce at $2 Trillion ➔ $4 Trillion by 2020

P&G’s Tide SKU Family

Digital Assets

Images
Mobile
Video
Specs/Reviews
UGC

Digital Channels

Walmart
Amazon
Google PLA
Pinterest
Tide.com

Execution

Production
Work Flow
Integration

Massive scale, localized, brand compliant, and global
FORCES AT WORK III – BIG CONTENT FOR BIG COMMERCE

Tide Wants to Start Telling Live, Branded Stories in a UGC Environment

- Massive scale, localized, brand compliant, and global

= Big Content for Big Commerce Problem

= Sizeable Market Opportunity
FORCES AT WORK III – BIG CONTENT FOR BIG COMMERCE

Global Commerce at $2 Trillion ➔ $4 Trillion by 2020

Massive Demand

- Visual merchandising / guided selling
- Content driven engagement...
- video, video, video

Race is On

- Opportunity validated by enterprise player solutions
- Specialist firms and point solutions

Open Market

- No leader in consulting, agency or tech
- Rare DNA to combine creative and enterprise workflow/tech

'It's about scale': How 5 brands are using Facebook Live

Digital Video Ads Register Higher Performance
by Wayne Friedman. Yesterday, 11:00 AM

Accenture Interactive Launches Its First Content Studio to Deliver Innovative and Engaging Content to Clients

IBM Quietly Builds Its Video Cloud
Solutions

- Deeper integration and broader offering
- Blurring lines between service and tech enabled solutions
- M&A responding to massive market opportunity

End-to-End Offering
HUMAN CAPITAL MANAGEMENT

Jeff Becker, Managing Director & Co-Head of Technology Banking
HCM is a sizable market – $131 billion total market in 2015, projected to grow to $182 billion in 2019

Sources: IDG, Forrester, The Starr Conspiracy
This has created a focus on hot new areas of HCM:

- **Culture/Engagement Management:**
  - CultureIQ
  - CultureAmp

- **Recognition/Rewards:**
  - WorkStride
  - globoforce

- **Benefits Admin/Employee Portals/Other:**
  - Benefe
  - businesssolver
Historically, HCM Has Been Separated into Two Distinct Camps: Software Vendors and Service/Consulting Providers

Each group stayed well within its own boundaries

- Software companies were religious about not diluting margins and valuations with services
- Services companies didn’t have the technology DNA to build or support software solutions
CASE STUDY - CEB

CEB Was Focused on Consulting, Research and Advisory

Now being sold to Gartner for 3.5x revenue
WHAT HAPPENS IN THE FUTURE?

1. Analytics finds a way into all areas of HCM

2. More acquisitions of engagement/culture management companies

3. Next generation of leadership development companies emerge combining tech and services
THE CONSUMER PERSPECTIVE
Sam Barthelme, Managing Director
Younger generations consume differently and have higher expectations for advertisers:

- Prefer experiences to buying things
- Sharing economy replacing owner economy
- Bombarded with ads and demand relevant and custom communications from brands
- Mobile, mobile, mobile
IN PLAY: MASSIVE, GROWING BRAND MARKETING BUDGETS

Engage Consumers

Brands

Budgets “In Play”
(US budgets, $ billions)

- Digital Advertising: $67
- Shopper Marketing: $60
- Loyalty Programs: $54
- Sponsorship Activation: $40
- TOTAL: $220 bn

Growth Rate:
- U.S.: 20%
- WW: 15%

Consumers

Drive Sales

U.S.: $220 bn
WW: $500+bn

Sources: AdAge, Cadent Consulting Group, eMarketer, GMA Booz, IEG, Raymond James, Snipp
INTERMEDIARIES SIT BETWEEN BRANDS AND CONSUMERS AND ENABLE BRANDS TO COMMUNICATE WITH CONSUMERS

Sources: AdAge, Cadent Consulting Group, eMarketer, GMA Booz, IEG, Raymond James, Snipp
INTERMEDIARIES SIT BETWEEN BRANDS AND CONSUMERS AND ENABLE BRANDS TO COMMUNICATE WITH CONSUMERS

Engage Consumers

Brands

Consumers

Sources: AdAge, Cadent Consulting Group, eMarketer, GMA Booz, IEG, Raymond James, Snipp
INTERMEDIARIES SIT BETWEEN BRANDS AND CONSUMERS AND ENABLE BRANDS TO COMMUNICATE WITH CONSUMERS

Engage Consumers

Brands

Audience

Retail Svcs

Agencies

Consumers

Sources: AdAge, Cadent Consulting Group, eMarketer, GMA Booz, IEG, Raymond James, Snipp
INTERMEDIARIES SIT BETWEEN BRANDS AND CONSUMERS AND ENABLE BRANDS TO COMMUNICATE WITH CONSUMERS

Tech Companies are Leapfrogging Everyone

Sources: AdAge, Cadent Consulting Group, eMarketer, GMA Booz, IEG, Raymond James, Snipp
WHERE THE MAGIC IS HAPPENING

<table>
<thead>
<tr>
<th>AGENCIES: Storytellers &amp; UX</th>
<th>RETAIL: Data &amp; Location</th>
<th>AUDIENCE: Experiential</th>
<th>SOFTWARE: New Apps</th>
<th>SOFTWARE: Event Platforms</th>
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</table>
BATTLE OF THE EVENT DATA & ANALYTICS POINT SOLUTIONS

Scott Peters, Co-President
1. 1–3% of a corporation’s total revenue is spent on meetings and events.

2. Events are the largest portion of the $60 billion B2B marketing budget, accounting for 24% of spend ($14 billion).

3. Event spending is growing 6% per year, and after a company’s website, is the most effective B2B marketing channel.

4. Event Management Software is a $5 billion market, expected to grow at a 10% CAGR through 2019.

Sources: Aberdeen Group, Forrester Research, Markets and Markets
EVENT TECH ADDRESSING TWO MASSIVE MARKETS

End-to-End Event Management Software

Venue Sourcing → Event Marketing → Event Management → Event Engagement

$103B
Meeting Spend on Hotels

$27B
Manual Processes + Software for Event Mgmt

$4B
Hotel Marketing

$5B
Event Mgmt Software

$9 Billion Total Addressable Market

Source: Frost & Sullivan
EVENT TECH INTERSECTS MASSIVE SOFTWARE MARKETS

Marketing Tech

Hospitality Tech

Event Tech
EVENT TECH INTERSECTS MASSIVE SOFTWARE MARKETS

Full Service Event Tech Duopoly Emerging

APPROVED!

Vista Equity Partners
Lanyon + cvent
etouches
NEW EVENT MARKETING PRIORITY: CUSTOMER INSIGHTS

Why Is This Sector Getting Interesting?

Onsite event data will be added to the CMOs analytics engine

Content  Digital  Events  Websites  Social

Marketing  CRM

Marketto  ORACLE  salesforce  Microsoft Dynamics  SUGARCRM
NEW EVENT MARKETING PRIORITY: CUSTOMER INSIGHTS

CMO and Sales Teams Are Provided Superior Insights to Customer Status in the Purchase Funnel

Example of a Salesforce Conference

Before Event Data Overlay
- Registered user to a website
- Downloaded a white paper
- Subscribed to a newsletter
- Opened an email promotion
- Visited a website
- Tweeted about a product or service

After Event Data Overlay
- ✓ Registered and attended a conference
- ✓ Filled in a survey of their interests
- ✓ Attended 9 sessions on CRM topics
- ✓ Visited 10 booths with CRM services
- ✓ Tweeted about CRM capabilities/sessions
- ✓ Shared session information on LinkedIn
- ✓ Requested more info from 4 CRM providers
CMO and Sales Teams Are Provided Superior Insights to Customer Status in the Purchase Funnel

Example: Roll up all event data by company and job title

Most Engaged Companies in CRM Topics

GE Summary:
Company Engagement Score: 93%
Top Influencer Score: 94%
Increased Future Event Spend

CMO and Sales Collaborating to Increase Productivity

Sales Nirvana

Marketing ROI
Greatly Improved

Leads are:
✓ Prequalified
✓ Grateful for the call
✓ Contextually relevant
✓ Motivated purchasers
✓ Highly closable

Sales Rep
EVENT TECH WILL CONTINUE TO CONSOLIDATE

Battle of the Event Data & Analytics Point Solutions

Event Tech Duopoly

Point Solutions

CRM/Marketing Automation

Many others...

F R E E M A N
EVENT TECH WILL CONTINUE TO CONSOLIDATE

Why?

Event ROI becoming a major focus for CMOs

Implications

- **CMO**: Will demand event ROI frameworks to compare with other media channels
- **Event Agencies**: Will need to deliver holistic data across all event activities
- **Event Companies**: Will need to provide better data and analytics to exhibitors
- **Attendees**: Will demand a more seamless, productive and relevant event experience

...and... the events industry will post higher growth rates than many other forms of media and marketing in coming years
JEGI: LEADING M&A ADVISOR TO F2F COMPANIES

Event Technology Leaders

- **ONPEAK**
  - Has been sold to
  - GES
  - A subsidiary of VIAD

- **TRAVEL PLANNERS**
  - Has been sold to
  - GES
  - A subsidiary of VIAD

- **EXPERIENCIAL**
  - A portfolio company of
  - The RiverSide Company
  - AND
  - VSLA COMM PARTNERS II FUND II
  - Has been sold to
  - Maritz

Innovative F2F Business Models

- **Connect**
  - Has been sold to
  - Tarsus

- **Evanta**
  - A portfolio company of
  - Leeds Equity Partners
  - Has been sold to
  - CEB

- **500**
  - A portfolio company of
  - Pamlico Capital
  - Has been sold to
  - CEB

- **OPUS**
  - Has received a significant investment from
  - Fan Creek Capital

- **dmg :: events**
  - A division of DMGT PLC
  - Has been sold to
  - Evanta
  - Leeds Equity Partners

- **IMEGO**
  - A portfolio company of
  - Infiniti Capital
  - Has been sold to
  - Law Media

- **IMAGINE**
  - A portfolio company of
  - Providence Equity
  - Has been sold to
  - CPM Group

- **BriefingMedia**
  - A portfolio company of
  - Silicon Valley Bank
  - Has been sold to
  - CPM Group

More F2F Transactions Than Any Other Investment Bank

- **LightReading**
  - Has been sold to
  - Informa

- **BISNOW**
  - Has been sold to
  - Wicks

- **Bijl**
  - Has been sold to
  - UBM

- **tBillion**
  - Has been sold to
  - Penton

- **dmg events**
  - Has been sold to
  - Informa

- **Qnet**
  - Has been acquired
  - Index Opus
  - Which was renamed
  - T seminar solutions
  - For $95 million

- **AGENDA**
  - Has joined
  - Eventful

- **IntercastMedia**
  - Has been sold to
  - Informa
  - Wicks

- **Vornado**
  - Has been sold to
  - Wicks

- **NorthStar**
  - Has been sold to
  - Haymarket

- **dmg events**
  - Has been sold to
  - Informa

- **ALM**
  - Has been sold to
  - Global Community

- **Summit**
  - Has been sold to
  - Global Community

- **EJM Events**
  - Has been sold to
  - Global Community

- **Real Experiences**
  - Has been sold to
  - Global Community

- **The Economist Group**
  - Has been sold to
  - CEP
  - To
  - CEP

- **CFO**
  - To
  - CEP
SaaS vs. Sassafras

Tolman Geffs, Co-President
The business model of the future?

- Centralized hosting vs. on-premise
- Single-instance vs. custom software
- Subscription vs. large up-front license
- Minimal services

Massive Disruption

- Salesforce
- LinkedIn
- Workday
- Atlassian
- ServiceNow
- Zendesk

$108 billion valuation
7.9x 2016 revenue
Unprofitable
**SAAS...**

The business model of the future?
- Centralized hosting vs. on-premise
- Single-instance vs. custom software
- Subscription vs. large up-front license
- Minimal services, massively scalable

**Massive Disruption**

**...OR NOT TO SAAS**

Difficult and very expensive path!
- UI is most expensive part of development
- Sales cycles long and costly
- Plus integration, training & support staff
- Steep losses until renewals catch up

**Equity Precipitation**

- Best-in-class search mgmt software
- $100mm revenue
- No profits – ever
- EV < 0.7x revenue
A DIFFERENT APPROACH...

Search Management RKG
- Software comparable to Marin, et al
- Operated by in-house service teams
- Annual contracts, very high renewal

Promotions Management PrizeLogic
- Software to administer large scale programs – McDonald’s Monopoly, Samsung offers, etc.
- Operated by in-house service teams
- No contracts, highly re-occurring

Digital Media Buying accordantmedia
- Software to deliver data management + media buying like Turn, MediaMath, AppNexus ($500mm+ invested)
- Operated by in-house service teams
- AOR, high client retention

...SASSAFRAS

“Software as a Service as a Freakin’ Awesome Service”

Sassafras DNA
- Enterprise-grade software platform (NOT just tools to enable services)
- Managed service delivery
- Avoid UI development, training, support
- Key check: Gross margins and revenue retention comparable to SaaS
- Capital efficient + faster profit ramp
## SaaS vs. SassafrasS Median Metrics

<table>
<thead>
<tr>
<th></th>
<th>SaaS Benchmark $30-50 mm Companies</th>
<th>&quot;SassafrasS&quot; Benchmark 3 Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Growth Rate</td>
<td>34%</td>
<td>39%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>63%</td>
<td>66%</td>
</tr>
<tr>
<td>Revenue Renewal</td>
<td>90-100%+</td>
<td>112%</td>
</tr>
<tr>
<td>Sales &amp; Marketing / Revenue</td>
<td>45%</td>
<td>13%</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>(5%)</td>
<td>19%</td>
</tr>
<tr>
<td>Invested Capital / Revenue</td>
<td>131%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Companies, River Cities Capital
Appeal of Sassafras acquisitions

- Strategic buyers value rapid entry into new markets and business flexibility
- PE sponsors value growth, capital efficiency and leverage
- Buyers get comfortable with “re-occurring” vs. contractual revenue
- Trade on strong EBITDA multiples – not SaaS revenue multiples – less scalable
- Option to productize and market software (but buyer beware, very different skills)

➤ Expect more M&A for Sassafras models