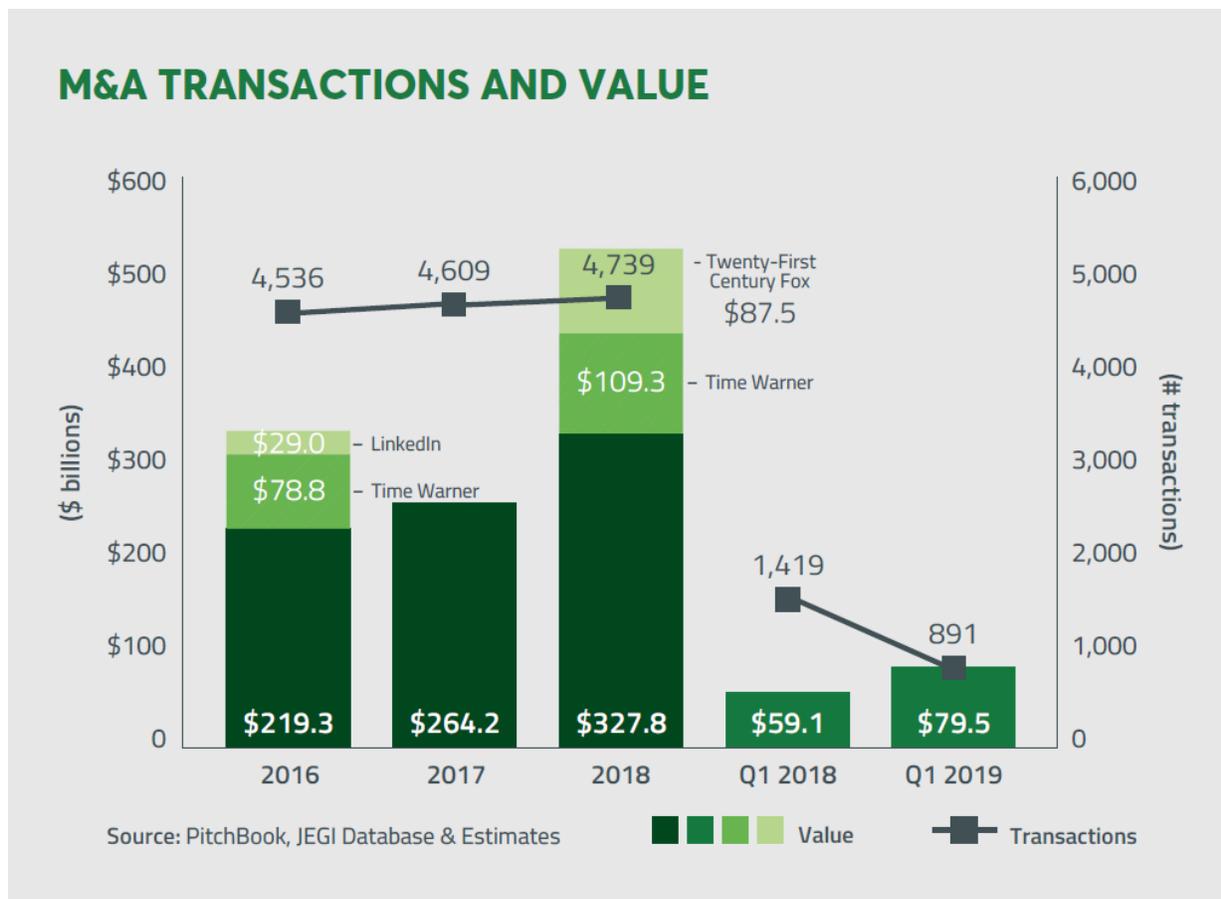


# PRESS RELEASE



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2019 is off to a strong start for mergers and acquisitions across JEGI|CLARITY’s core sectors, with nearly 900 announced transactions in the first quarter totaling \$79.5 billion, a 35% increase over Q1 2018, despite a sizeable drop in total number of deals closed.

Despite lingering concerns around market volatility and economic uncertainty, optimism remains high among dealmakers. Increased cash held by corporations, partly fueled by tax reform, will likely help facilitate an increased number of transactions.

## Notable Sector Transactions and Trends

M&A ACTIVITY BY SECTOR				
Sector	Q1 2018		Q1 2019	
	# Deals	Value (\$mn)	# Deals	Value (\$mn)
Consumer Media & Entertainment Content	148	\$11,409	70	\$7,052
B2B Media, Marketing & Information	384	\$18,515	233	\$5,296
AdTech, Martech & Ecommerce	244	\$6,648	114	\$3,784
Human Capital Management & HR Tech	132	\$2,178	90	\$9,082
Software, Technology & Tech Enabled Services	510	\$20,370	384	\$54,322
<b>Total</b>	<b>1,419</b>	<b>\$59,120</b>	<b>891</b>	<b>\$79,537</b>

### Consumer Media & Entertainment Content

We continue to see high levels of M&A activity in Consumer Media & Entertainment Content, reflecting strategic bets on seismic shifts in media consumption, and in turn, strategies for audience monetization.

Entertainment content remains the poster child, an area where demand for video production technology and services continues to grow in step with exploding growth in episodic “TV”, or streaming content consumption. **Roper Technologies’** \$542 million acquisition of **Foundry**, a leading supplier of entertainment visual effects (VFX) software, is telling, especially since Roper is best known for industrial software applications...like Oil & Gas. The siren sound of Hollywood? The OTT/Connected TV gold rush? This is a market where JEGI|CLARITY has been notably active, having advised on multiple VFX and entertainment analytics transactions, including the recent sale of **FuseFX** to **EagleTree Capital**.

**RE: audience monetization**, there were a number of consumer media transactions in Q1 involving votes of confidence on digital publishers and their ability to backfill advertising revenue that has been all but lost to Google and Facebook. For digital publishers, paywalls and commerce-enablement around vertical content is the key. For example, JEGI|CLARITY recently advised on the sale of **Mobile Nations** to **Future plc.** in a transaction valued “up to \$84 million.” Both companies leverage authoritative content on ‘prosumer’ topics (product reviews on devices, technology, entertainment, etc.) to drive readers into a direct online purchase of featured goods, and garnering an “affiliate” fee for doing so. In effect, they’re creating a market for down funnel purchase conversions rather than selling top of the funnel traffic. **Exponent Capital’s** recently acquired **Dennis Publishing** added **Kiplingers** to its portfolio as part of its “vertical content + commerce” platform. And PE firm **Great Hill Partners** recently acquired **Univision’s Gizmodo** (gadget review) and *The Onion* publications to pursue a similar strategy. Others will follow.

Lastly, music streaming giant **Spotify** completed the acquisitions of **Gimlet Media**, a podcast publisher, and **Anchor**, a developer of tools for podcast creation and monetization. Valued at \$300 million, these two transactions are reportedly the first of many in Spotify’s commitment to non-music content and becoming the “world’s number one audio platform.” Spotify’s CEO adds, “Our podcast users spend

almost twice the time on the platform, and spend even more time listening to music.” Lesson being, it’s not just about audience size; it’s about audience engagement and usage; all the better to monetize.

### **B2B Media, Marketing & Information**

2018 was a banner year for M&A in the B2B Media, Marketing & Information sector, due to numerous mega-deals involving PE-led corporate carve outs and take-private transactions. Q1 2019 is off to a quieter start, but some strong and sustained trends remain at work in the sector.

Technology marketing, meaning marketing by technology vendors, remains a B2B mainstay. Think big brands like SAP and Oracle operating in global markets, selling and supporting big ticket technology through lots of channels. These are complex purchase decisions and equally complex sales and marketing exercises. Accurate data and compelling content for targeting and engaging buyers are critical tools in the B2B marketer’s tool box, and always an active area for M&A. For example...

- **Discover.org’s** acquisition of **ZoomInfo** (in a successful, short-hold exit by **Great Hill Partners**) highlights the value of predictive data for targeting B2B purchase decision makers, at scale.
- **Forrester’s** acquisition of **Sirius Decisions** adds B2B marketing strategy to Forrester’s strong suit in digital marketing and customer experience, at a price of \$245 million, or 27% of its market cap.

Events, Conferences and Experiential Marketing remain on a tear. Buyers love the business model (negative working capital and CapEx light), and face-to-face marketing continues to grow within the overall marketing mix as both marketers and consumers seek refuge from digital marketing noise.

**Blackstone-backed PSAV** continues to capitalize on growth opportunities in the service chain, most recently through the acquisition (via merger) of **Encore Event Technologies** (technology, staging and production), owned by industry stalwart **Freeman**. The Encore transaction follows PSAV’s acquisition of JEGI|CLARITY client **Hargrove** in 2018, PSAV’s first foray beyond AV rentals into event marketing services, then followed by PSAV’s acquisition of JEGI|CLARITY client **FMAV**.

Agency and Consulting Services as a sector continues to reshape and recapitalize, driven by M&A. **Accenture** continues to run the M&A tables in the (still!) rapidly converging technology consulting and marketing worlds, capping off a busy Q1 with the acquisition of JEGI|CLARITY client **Hjaltelin Stahl**, a leading Danish multi-channel marketing agency. This is JEGI|CLARITY’s third completed transaction with Accenture. As of this writing (so technically a Q2 transaction), Accenture has also closed on the acquisition of **Droga5**, 49% owned by **WME/Endeavor/Silverlake**. Droga5 is among the largest independent and most highly regarded creative agencies on the planet. The Accenture/Droga5 transaction truly represents the apotheosis of "Art + Science = Digital Experience". More M&A to come here, as others try to keep pace with Accenture Interactive (whose revenue now stands at \$8.5 billion), and look for ways to make money from *Digital Experience and Digital Transformation*, itself estimated to be a \$500 billion market opportunity.

On the agency side of the divide, private market M&A remains active, especially for targets having a high degree of specialization, which appeals to both PE investors and strategic buyers. Illustrative Q1 2019 JEGI|CLARITY clients and transactions include:

- **RKD Group**, a leading provider of CRM and performance marketing services to the not-for-profit sector, and a portfolio company of **Brook Venture Partners**, in its sale to **BVIP**.
- **BrainLabs**, a technology-enabled programmatic media and digital marketing agency, receiving a growth equity investment from **Livingstone Partners**.
- **M&C Saatchi** in the sale of its remaining interest in **Blue 449**, a leading UK media agency, to **Publicis Groupe**.

In the large cap agency space, M&A seems centered on strategic redefinition. Two notable examples include **The Stagwell Group's** surprising \$100 million PIPE into **MDC Partners**, providing MDC with much needed balance sheet breathing room, and importantly, clarity on go forward leadership. And as of this writing, **Publicis Groupe** just spent \$4.4 billion to acquire loyalty and database marketing giant **Epsilon** from **Alliance Data Systems**, an apparent response to IPG's Q4 2018 acquisition of Acxiom's database marketing business. Both transactions represent a major shift in strategic focus from ad-heavy to data-heavy services.

See [JEGI|CLARITY's 2018 Global Marketing Industry M&A Report](#) for more insights into these topics.

### Adtech, Martech & Ecommerce

The Adtech, Martech & Ecommerce sector experienced a noticeable decline in both transaction volume and value, but interesting to note a few quirky transactions focused on corporate "in-housing" of adtech/martech and direct-to-consumer (DTC) digital marketing capabilities:

- **Willis Towers Watson**, the employee benefits advisory and brokerage giant, acquiring **Tranzact**, a health insurance lead gen platform.
- **American Express'** acquisition of **Lounge Buddy**, a discovery and booking platform for airport lounge access and services, and...wait for it...
- **McDonalds Corporation's** acquisition of **Dynamic Yield**, an "AI-powered personalization and data management platform that delivers individualized experiences at every customer touchpoint...", in this instance, at the drive-in. Probably could have rented that tool, but, hey, we're all technology companies now.

### Human Capital Management (HCM) & HR Tech

Deal value in Human Capital Management (HCM) & HR Tech increased dramatically, led by Hellman and Friedman's \$11 billion take-private acquisition of HCM ERP vendor **Ultimate Software Group**. In the on-going war for talent (and because ERP needs something to manage), employee recruitment remains an

active area for M&A. JEGI|CLARITY advised **Exponent Private Equity** in the sale of **GTI Group**, a college graduate recruitment media and solutions provider, in an MBO backed by **Causeway Capital**. And talent recruitment agency **TMP** (formerly a subsidiary of **Monster Worldwide** and now backed by **Gemspring Capital**) acquired **CKR Interactive** to expand its digital recruitment solutions.

### Software and Technology

Software continues to eat the world...and is still dominating transaction activity within JEGI|CLARITY sectors.

There were a number of Q1 software transactions that were especially notable not only for their size and valuation, but also for ripple effects they're sure to cause within their markets, or within their own walls.

At \$8 billion and 20X revenue, **SAP's** acquisition of CX analytics software company **Qualtrics**, certainly checks the box on "LARGE", as to size and multiple. The marketplace ripples will be just as large. Combined with the very positive ripple emanating from the successful IPO of market peer **Survey Monkey**, the entire research, insights and analytics ecosystem (nka Customer Experience) is "considering shareholder alternatives". As JEGI|CLARITY has tracked for years, there is a substantial sum (well over \$10 billion) of VC and PE investment patiently parked in this category. As with digital agencies and consultancies, the big M&A catalyst in the research and insights market is the outlook for sustained corporate spending on Customer Experience services and technologies, and downstream spending on brand and business digital transformation. Some put the TAM on this global opportunity – service and technology combined – at over \$500 BN. A big jump ball in an area where research firms have real advantage, and a timely market development to feature in the "Growth Opportunities" section of their M&A marketing materials.

Another software category that JEGI|CLARITY has been carefully tracking is Vertical SaaS, and in particular, SaaS for SMBs. **Alpine Capital** recently formed **Alpine/ASG** as a holding company to pursue a roll-up of Vertical/SMB SaaS companies, launching the platform in earnest with the simultaneous acquisition of six independent SMB software vendors that, combined, comprise a nifty martech stack for small businesses (SEO/SEM, site analytics, reputation management, social media monitoring, etc.). We expect to see more consolidation here, and also expect to see PE firms getting more creative in establishing platforms via simultaneous M&A transactions. See our [website](#) for more detail on both topics.

And finally, in a transaction sure to cause ripples in the buyer/parent organization: **Advance Publications**, best known as the owners of the **Conde Naste** magazine portfolio and the **American City Business Journals** newspaper chain, has spent \$1.7 billion in cash to acquire **Turnitin**, a developer of software designed to check for plagiarism in writing and code assignments. The product was built for use by academic institutions. Maybe there is synergy in the media market? More likely, Advance -- like Hearst Corporation has done with B2B information -- is looking for a thick new leg on the stool.

## JEGI | CLARITY Active in Q1 2019

JEGI | CLARITY enjoyed a strong start to the year, with six closings and several others expected in Q2. In Q1, we represented Blue 449, a leading UK media agency and subsidiary of M&C Saatchi, in the sale of their remaining 24.9% stake, to Publicis Group; RKD Group, a leading provider of omnichannel fundraising and marketing services to the nonprofit sector and portfolio company of Brook Venture Partners, to BV Investment Partners; GTI, the UK and Ireland's leading graduate recruitment and early careers specialist and portfolio company of Exponent, in its sale to Causeway Capital Partners; Mobile Nations, a leading digital publisher focused on consumer electronics and affiliate e-commerce monetization, in its sale to Future PLC; Hjaltelin Stahl, a leading Danish multi-channel marketing agency, in its sale to Accenture Interactive; and Brainlabs, a leading technology-led digital marketing agency, in its investment from Livingbridge.

## Looking Ahead

The year has kicked off strong with positive general economic conditions. The Conference Board's Consumer Confidence Index rebounded in February, now standing at 131.4, following a decline in January. Total nonfarm payroll employment was largely unchanged in February after increasing by 311,000 in January. Lynn Franco, Senior Director of Economic Indicators at The Confidence Board said, "Confidence has been somewhat volatile over the past few months, as consumers have had to weather volatility in the financial markets, a partial government shutdown and a very weak February jobs report. Despite these dynamics, consumers remain confident that the economy will continue expanding in the near term."

The unemployment rate declined by 0.2% in February to 3.8%. Average hourly earnings for employees rose by 11 cents in February, following a 2-cent gain in January. In private equity, Bain's latest report revealed that PE firms have \$2.0 trillion of dry powder globally – a total that has been increasing since 2012.

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## ABOUT JEGI | CLARITY

JEGI | CLARITY ([www.jegiclarity.com](http://www.jegiclarity.com)), is the leading independent investment bank for the global media, information, marketing, software and tech-enabled services sectors. With offices in London, Sydney, New York and Boston, we have closed more than 700 transactions during our 30+ year history.