

# Advertising Industry Report 2020



# ADVERTISING INDUSTRY KEY TAKEAWAYS

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- ❑ **Advertising revenues** are expected to increase at an annualized rate of 4.8% over the next five years, reaching \$69.2 billion in 2025. As companies adapt to benefits from the growth of digital platforms, clients will seek integrated marketing solutions that combine multiple media outlets, resulting in more demand for industry services.
- ❑ **External Drivers**
  - **Total Advertising Expenditure:** Trends in **total mainstream media advertising**, particularly in radio, TV, newspapers and magazines, have a direct effect on this industry. Growth in total US advertising expenditure indicates that businesses are more willing to incur advertising expenses, which benefits advertising agencies.
  - **Corporate Profit:** As businesses become more profitable, they often expand their advertising budgets due to many digital advertising services bringing in a strong return on their investment. As a result, a rise in corporate profitability, particularly in the **retail, finance, automotive and telecommunications sectors**, will stimulate demand for advertising services.
  - **Digital Media:** The fragmentation of the media landscape has expanded the **mediums and methods** by which consumers interact with brands. Growing client demand for digital advertising and marketing campaigns has forced established companies to adapt; evidenced by a growing strategic focus on enhancing digital capabilities.
- ❑ **Industry Outlook**
  - **Continued Growth:** Over the five years to 2025, the Advertising Agencies industry is expected to continue growing, as the proliferation of digital mediums, such as tablets and smartphones, provide new revenue streams. Growth will also be driven by an increase in demand for value-added in-house services, such as marketing and public relations, which helps industry clients develop a unified brand message both domestically and globally
  - **Emerging Trends:** Viral marketing has become possible through increasing social media use and popularity. Unlike most online advertisements, which charge clients based on the number of consumer clicks, viral advertisements are passed from user to user via e-mail or social networking sites.

# INDUSTRY AT A GLANCE

## Key Statistics

**\$54.9bn**  
Revenue



**\$3.0bn**  
Profit



**5.4%**  
Profit Margin



**73,521**  
Businesses



**259k**  
Employment



**\$19.8bn**  
Wages



## Products & Services Segmentation



Advertising Agencies  
Source: IBISWorld

# INDUSTRY AT A GLANCE

## Major Players

% = share of industry revenue



- 7.5% IPG
- 7.5% Omnicom Group Inc.
- 4.7% WPP
- 80.3% Other

Advertising Agencies  
Source: IBISWorld

## SWOT

### S STRENGTHS

- Low Imports
- Low Customer Class Concentration
- High Revenue per Employee
- Low Capital Requirements

### W WEAKNESSES

- Low & Steady Barriers to Entry
- None & Steady Level of Assistance
- Low Profit vs. Sector Average
- High Product/Service Concentration

### O OPPORTUNITIES

- High Revenue Growth (2015-2020)
- High Revenue Growth (2020-2025)
- Investor uncertainty

### T THREATS

- Low Revenue Growth (2005-2020)
- Low Outlier Growth
- Low Performance Drivers
- Total advertising expenditure



# PUBLIC COMPS

Company Name	Share Price	52 Week Range	Market Cap	Enterprise Value	Multiples		
					TTM EV/ Sales	TTM EV/ EBITDA	
Omnicom Group	\$ 64.69	44.50-80.25	\$ 13,907,000	\$ 17,110,000	1.3x	8.2x	
The Interpublic Group of Companies	\$ 25.14	11.63-25.23	\$ 9,807,000	\$ 13,790,000	1.5x	12.6x	
National CineMedia	\$ 3.92	1.62-9.85	\$ 312,115	\$ 1,140,000	2.6x	6.0x	
Lamar Advertising	\$ 84.10	30.89-96.82	\$ 8,481,000	\$ 12,540,000	7.2x	1.6x	
QuinStreet	\$ 21.98	5.76-22.78	\$ 1,163,000	\$ 1,080,000	2.1x	21.5x	
				Low	\$ 1,080,000	1.3x	1.6x
				Median	\$ 12,540,000	2.1x	8.2x
				High	\$ 17,110,000	7.2x	21.5x

\*All values in thousands, except for share prices and multiples.

\*Share price and 52-week range as of 01/26/21





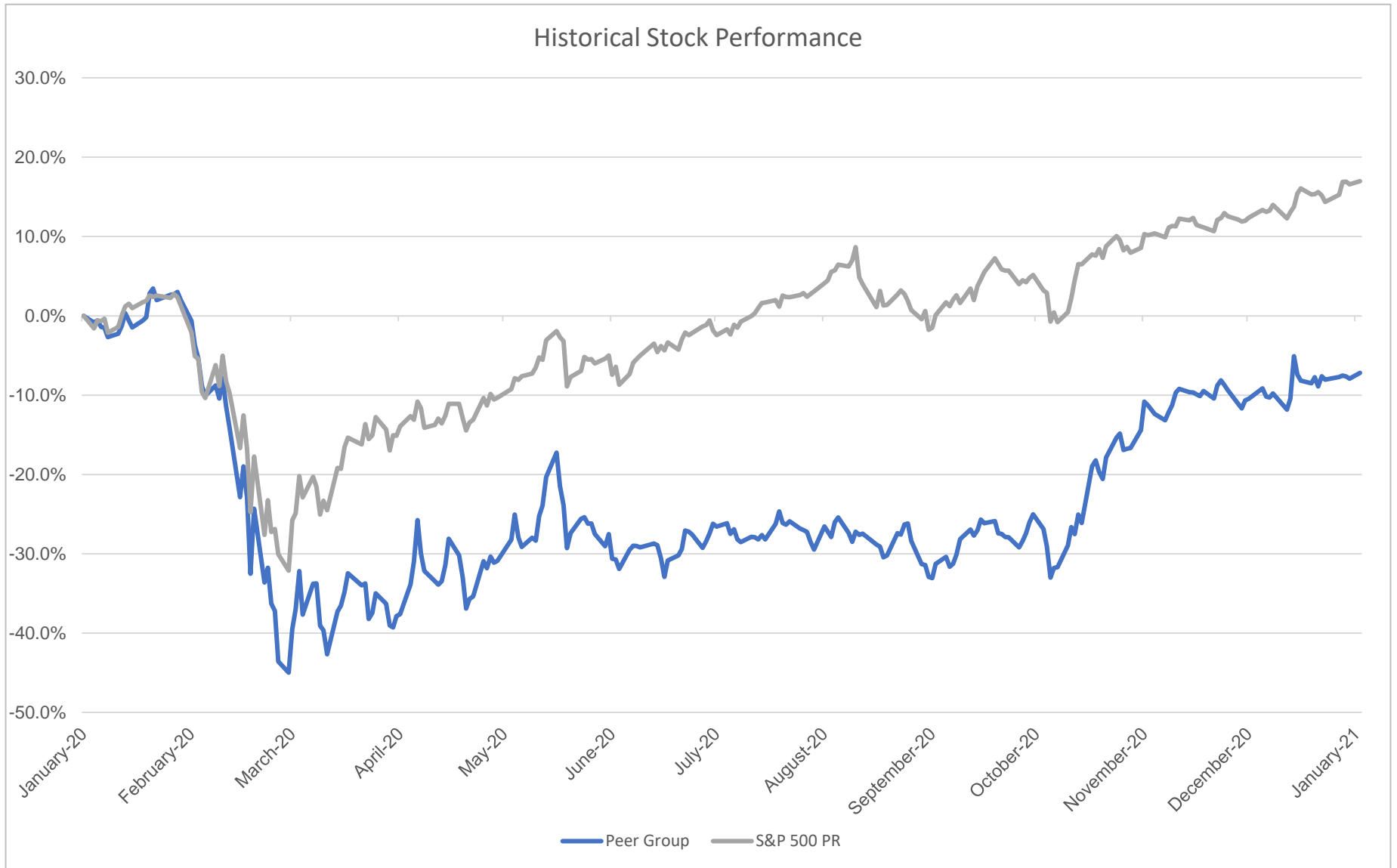


# PUBLIC COMPS

Company Name	TTM Data							
	Sales	EBITDA	Gross Margin	EBIT Margin	EBITDA Margin	Revenue Growth%	Full-Time Employees	Revenue/FTE
Omnicom Group	\$ 13,560,000	\$ 2,090,000	20.0%	12.3%	15.4%	-9.0%	70,000	\$ 193.71
The Interpublic Group of Companies	\$ 9,412,800	\$ 1,090,400	14.4%	8.6%	11.6%	-7.5%	54,300	\$ 173.35
National CineMedia	\$ 432,600	\$ 190,300	91.4%	34.9%	44.0%	-49.0%	531	\$ 814.69
Lamar Advertising	\$ 1,753,644	\$ 7,685,533	66.4%	29.6%	438.3%	-6.7%	3,600	\$ 487.12
QuinStreet	\$ 502,994	\$ 50,317	11.2%	7.5%	10.0%	7.3%	592	\$ 849.65
<b>Low</b>	\$ 432,600	\$ 50,317	11.2%	7.5%	10.0%	-49.0%	531	\$ 173.35
<b>Median</b>	\$ 1,753,644	\$ 1,090,400	20.0%	12.3%	15.4%	-7.5%	3,600	\$ 487.12
<b>High</b>	\$ 13,560,000	\$ 7,685,533	91.4%	34.9%	438.3%	7.3%	70,000	\$ 849.65

*\*All values in thousands, except for full-time employees.*

# ADVERTISING INDEX VS. S&P 500



DCA Advertising Index: OMC, IPG, NCMI, LAMR, QNST

# RECENT PRIVATE TRANSACTIONS

Date	Target Description	Deal Value	EBITDA	Revenue	DV/EBITDA	DV/Revenue
02/28/2020	Marketing Agency	\$ 351,505	\$ 34,310	\$ 659,800	10.3x	0.53x
12/12/2019	Digital Advertising Company	\$ 525,000	\$ 90,952	\$ 474,781	5.8x	1.11x
01/17/2018	Advertising and Marketing Comp	\$ 1,800,000	\$ 76,112	\$ 4,172,037	23.7x	0.43x
10/13/2017	Advertising Agency	\$ 653,750	\$ 83,694	\$ 1,174,301	7.8x	0.56x
08/19/2017	Internet Marketing Firm	\$ 4,000,000	\$ 574,670	\$ 2,618,359	7.0x	1.53x
04/29/2017	Advertising Agency	\$ 2,700,000	\$ 496,886	\$ 4,108,332	5.4x	0.66x
			<b>Low</b>	\$ 474,781	5.4x	0.4x
			<b>Median</b>	\$ 1,896,330	7.4x	0.6x
			<b>High</b>	\$ 4,172,037	23.7x	1.5x

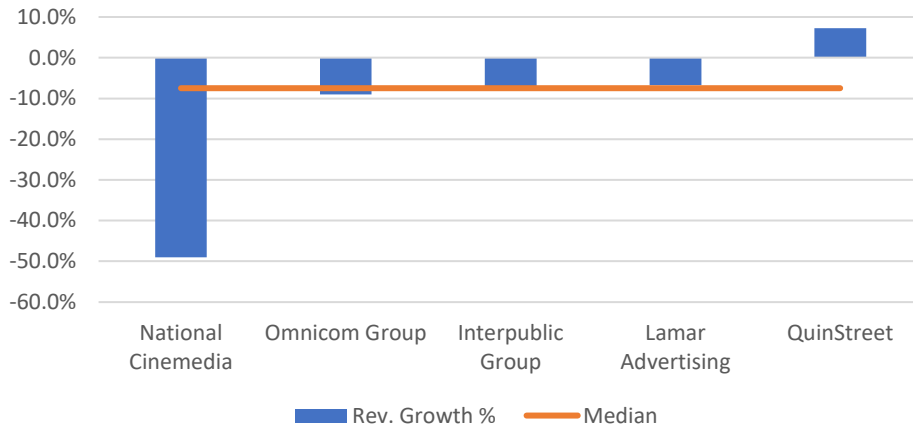


# RECENT PUBLIC TRANSACTIONS

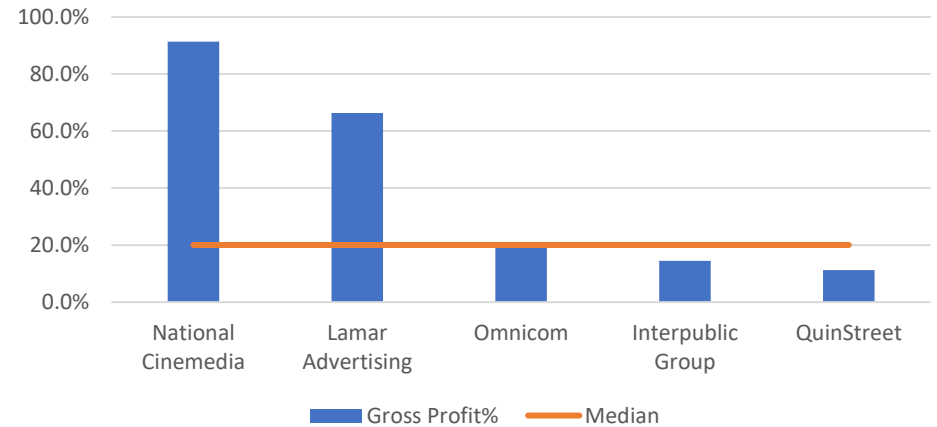
Deal Date	Seller	HQ Location	Acquirers	Deal Size	Deal Date
01-Feb-2019	Tegna	Tysons, VA	Apollo Global Management, TBN Network, The Najafi Companies	8,500.00	01-Feb-2019
01-Jul-2019	Epsilon Data Management	Irving, TX	Publicis Groupe	4,400.00	01-Jul-2019
01-Feb-2019	Pandora Media	Oakland, CA	Sirius XM Radio	3,500.00	01-Feb-2019
23-Nov-2019	Cox Media Group	Atlanta, GA	Apollo Global Management	3,100.00	23-Nov-2019
26-Jul-2019	Liberty Expedia Holdings	Englewood, CO	Expedia Group	2,900.00	26-Jul-2019
01-Oct-2018	Acxiom	Conway, AR	The Interpublic Group of Companies	2,327.90	01-Oct-2018
11-Oct-2018	Web.com Group	Jacksonville, FL	Siris Capital	1,451.00	11-Oct-2018
21-Jul-2019	Authentic Brands Group	New York, NY	BlackRock Private Equity Partners, Jasper Ridge Partners	875.00	21-Jul-2019
01-Jun-2020	TiVo	San Jose, CA	Xperi	828.33	01-Jun-2020
30-Sep-2019	Vungle	San Francisco, CA	The Blackstone Group	750.00	30-Sep-2019
09-Sep-2020	Sprinklr	New York, NY	Hellman & Friedman	650.00	09-Sep-2020
17-Aug-2020	Authentic Brands Group	New York, NY	BlackRock Private Equity Partners, General Atlantic, Leonard Green & Partners	600.00	17-Aug-2020
16-Apr-2020	OUTFRONT Media	New York, NY	Ares Management, Providence Equity Partners	400.00	16-Apr-2020
04-Sep-2020	McClatchy	Sacramento, CA	Chatham Asset Management	312.00	04-Sep-2020
31-Mar-2020	News America Marketing	New York, NY	Charlesbank Capital Partners	235.00	31-Mar-2020
30-May-2019	Placed	Seattle, WA	Foursquare	185.90	30-May-2019
16-Jul-2020	Innerworkings	Chicago, IL	HH Global, Pricoa Private Capital, The Blackstone Group	177.00	16-Jul-2020
08-Oct-2019	Firewood Marketing	San Francisco, CA	MediaMonks	150.00	08-Oct-2019

# OPERATING METRICS

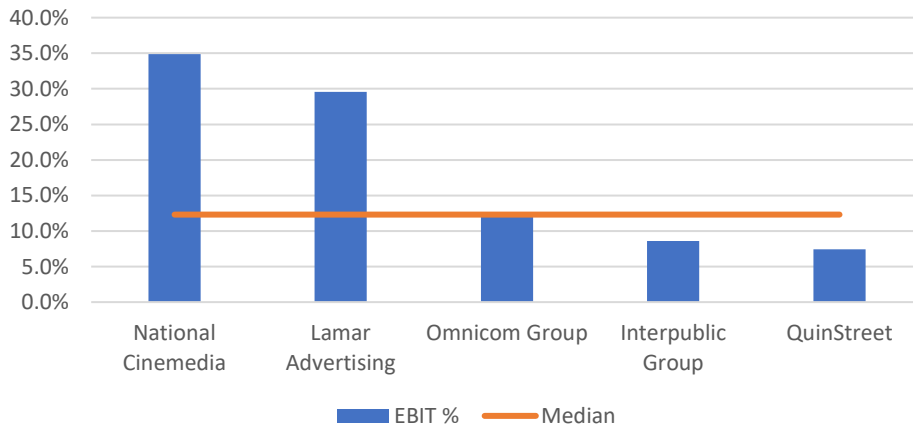
## Revenue Growth



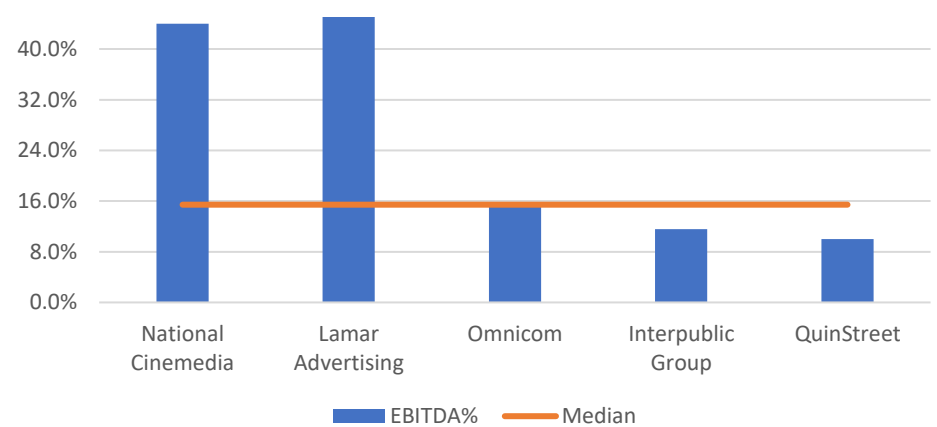
## Gross Profit



## EBIT

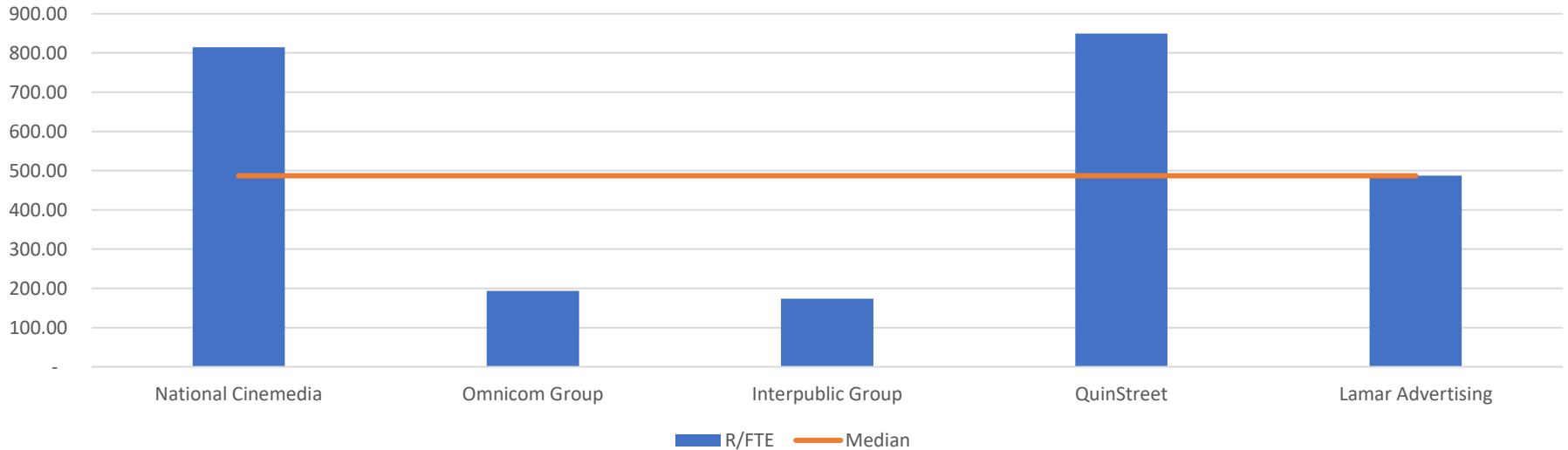


## EBITDA

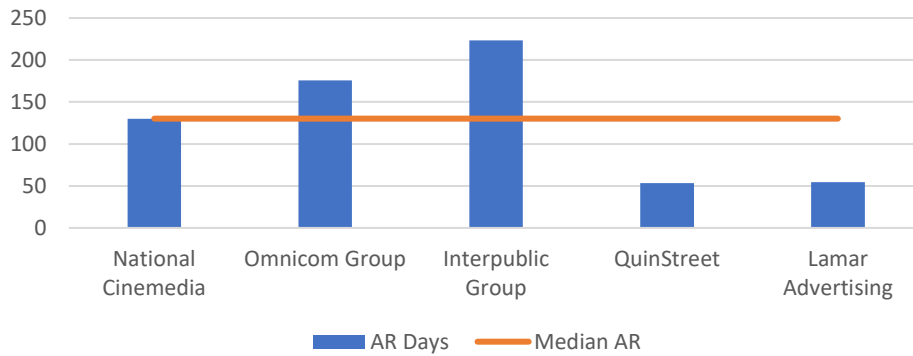


# RATIO ANALYSIS

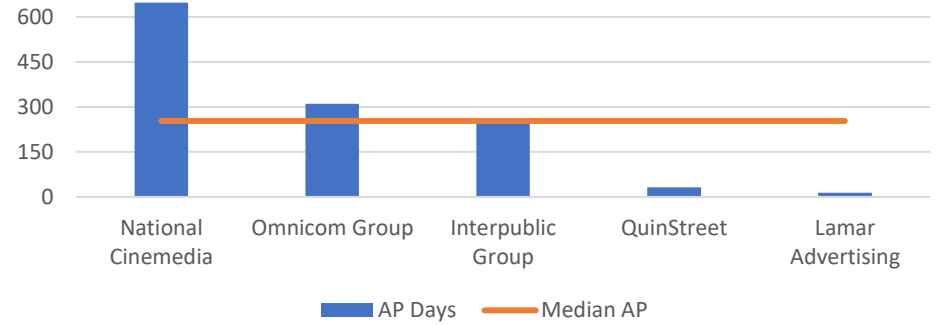
## Revenue per Employee\*



## AR Days

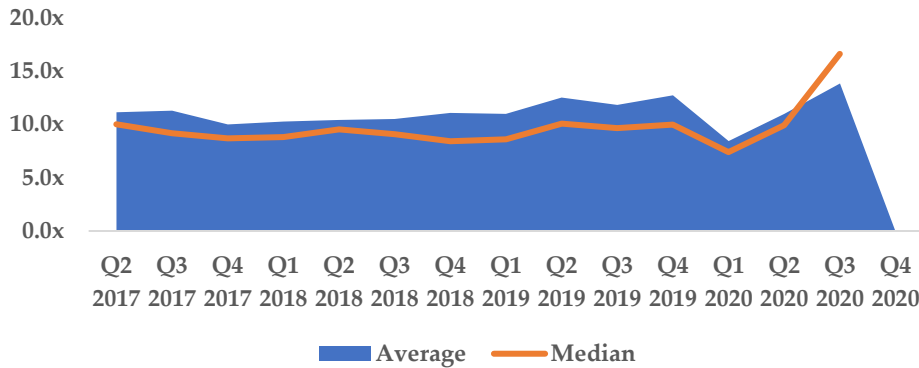


## AP Days

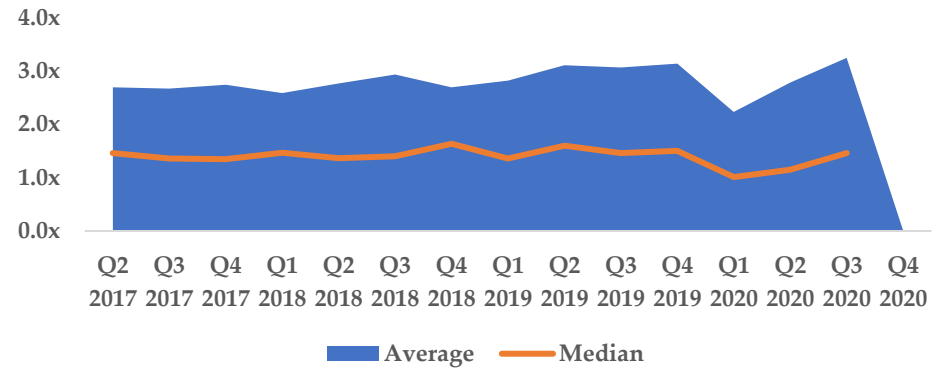


# VALUATION TRENDS

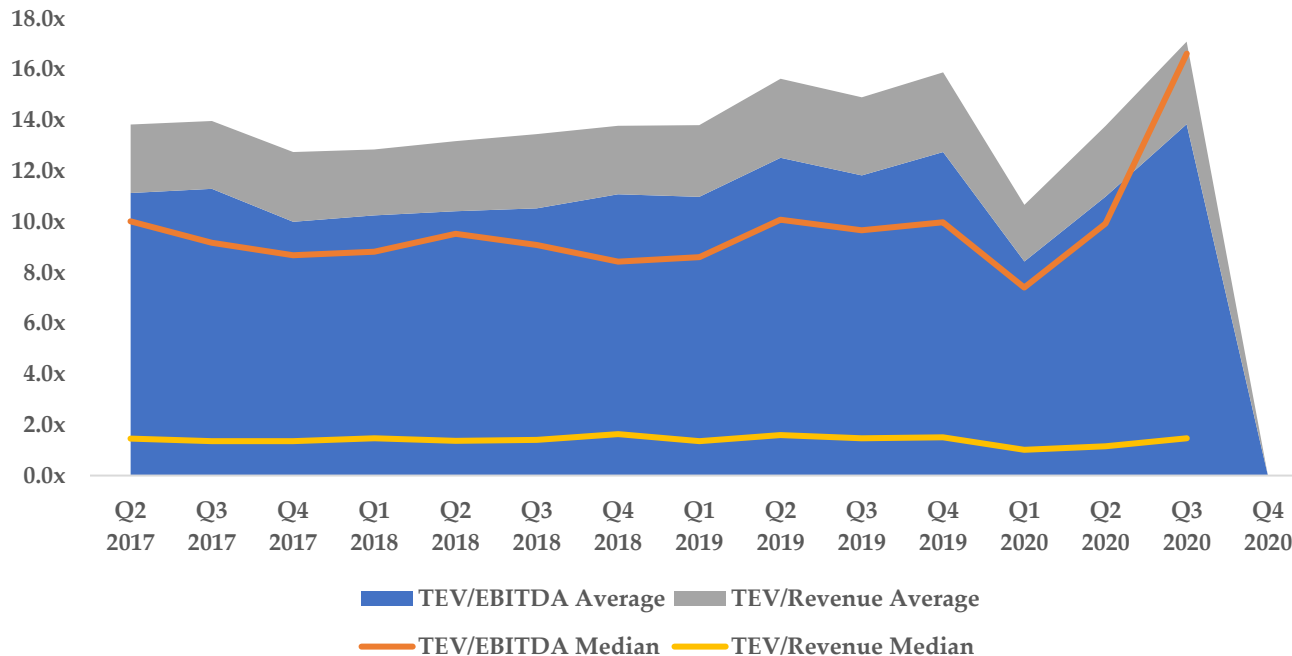
## Public EBITDA Multiples Over Time



## Public Revenue Multiples Over Time



## Public Comps Valuation Trends

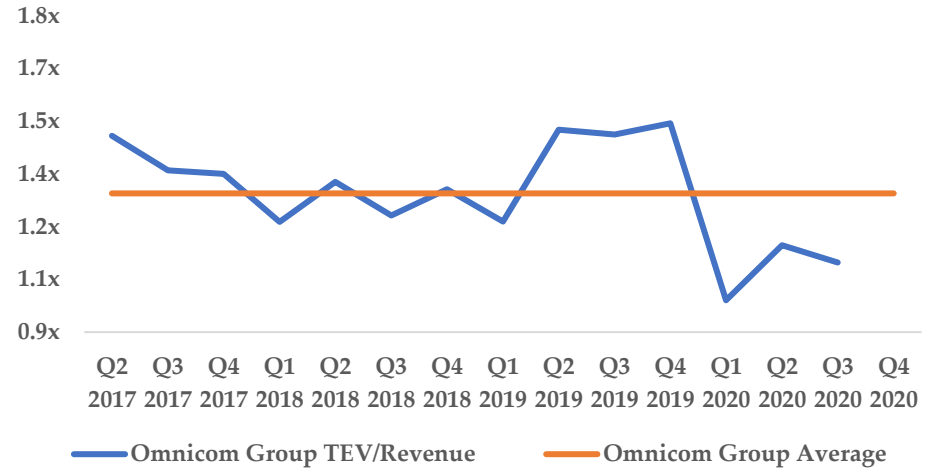


# PUBLIC COMP

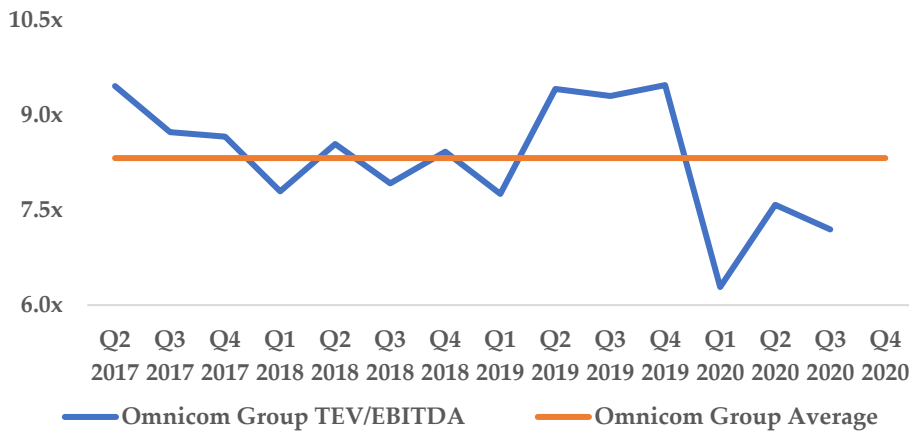
## Omnicom Group Inc. (NYS: OMC)

Omnicom Group Inc. provides a range of services in the areas of advertising, customer relationship management, public relations, and healthcare. The company's services include advertising, branding, content marketing, corporate social responsibility consulting, crisis communications, database management, digital/direct marketing, digital transformation, entertainment marketing, experiential marketing, field marketing, financial/corporate business-to-business advertising, graphic arts/digital imaging, and in-store design services. The company is based in New York, New York.

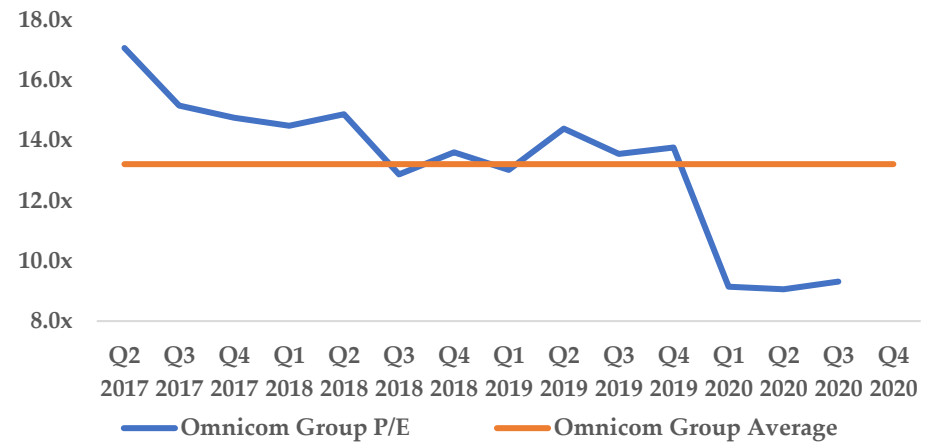
### Revenue Multiples - Omnicom Group



### EBITDA Multiples - Omnicom Group



### P/E Multiples - Omnicom Group

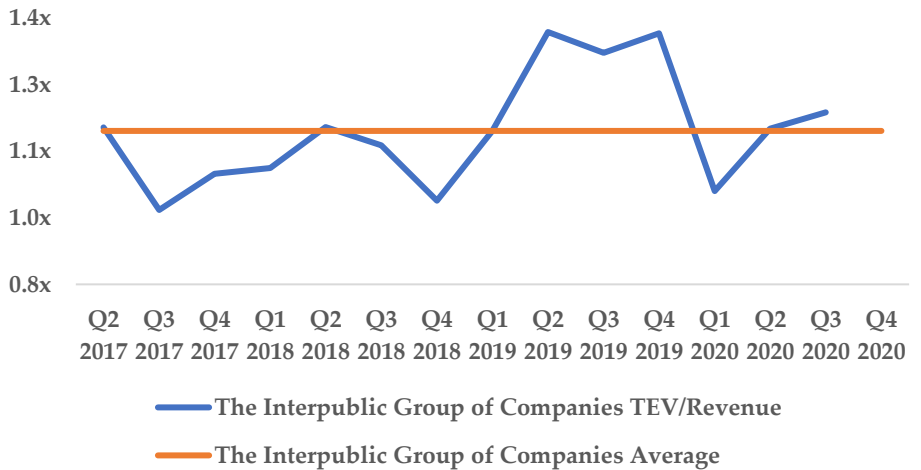


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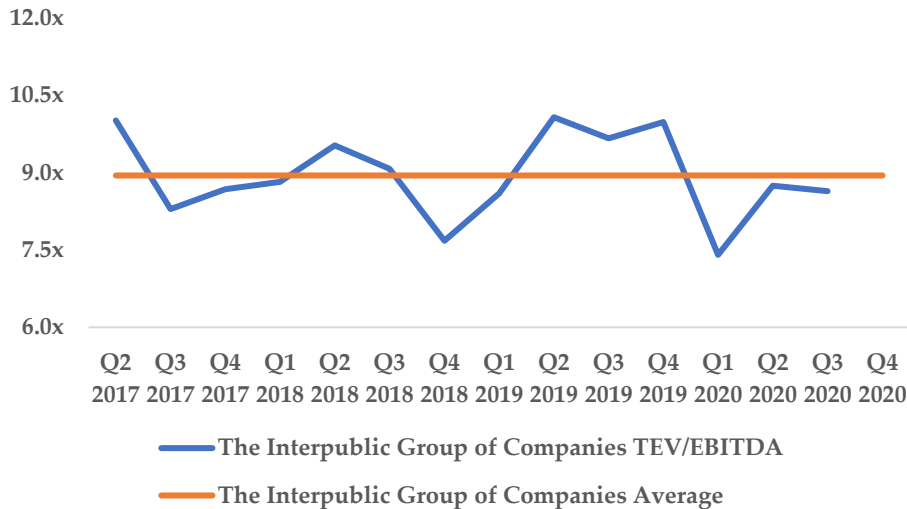
The Interpublic Group of Companies, Inc. (NYS: IPG)

The Interpublic Group of Companies, Inc. provides advertising and marketing services worldwide. The company operates through two segments, Integrated Agency Networks and Constituency Management Group. The company offers consumer advertising, digital marketing, communications planning and media buying, public relations, and specialized communications disciplines, as well as data management services. It also provides various diversified services, including meeting and event production, sports and entertainment marketing, corporate and brand identity, and strategic marketing consulting. The Interpublic Group of Companies, Inc. was founded in 1902 and is headquartered in New York, New York.

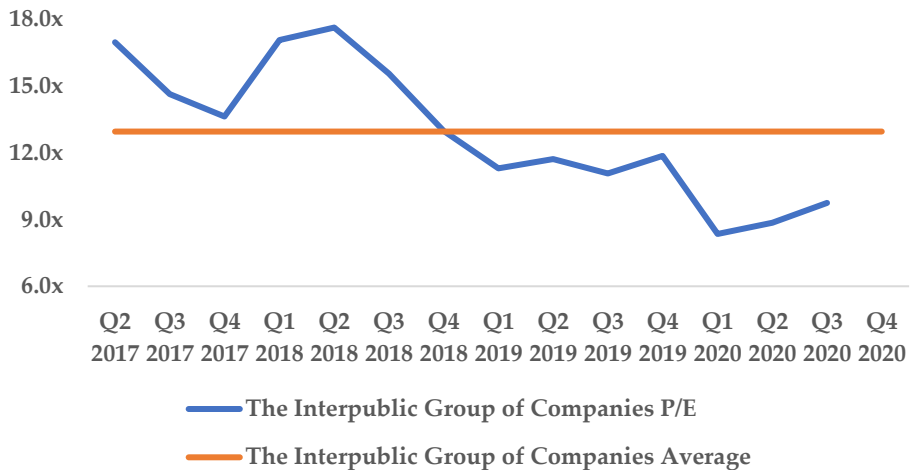
### Revenue Multiples - Interpublic Group



### EBITDA Multiples - Interpublic Group



### P/E Multiples - Interpublic Group



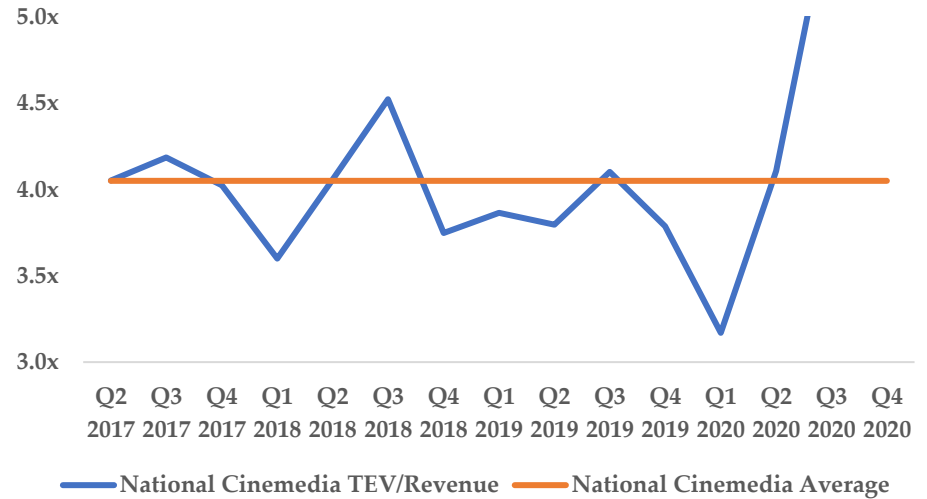


# PUBLIC COMP

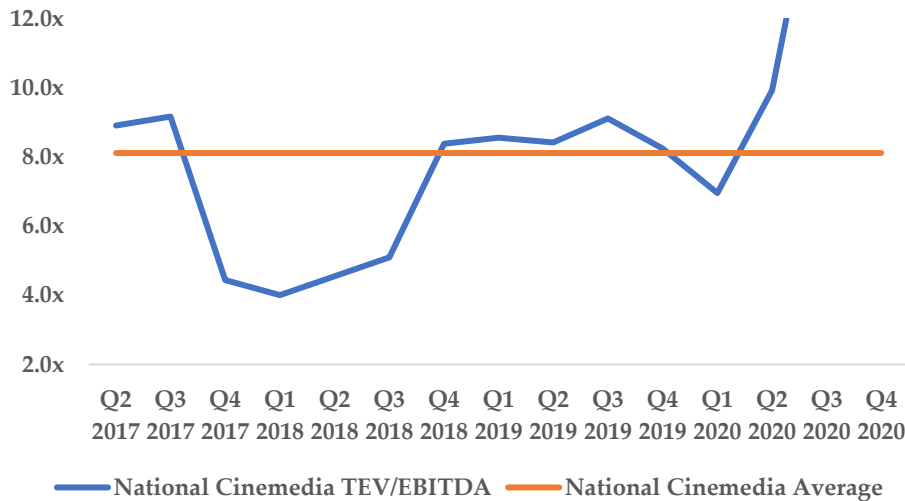
National CineMedia, Inc. (NYS: NCMI)

National CineMedia, Inc., through its subsidiary, National CineMedia LLC, operates a digital in-theater network in North America. The company engages in the sale of advertising to national, regional, and local businesses in Noovie, a cinema advertising and entertainment pre-show seen on movie screens; and sells advertising on its Lobby Entertainment Network, a series of strategically-placed screens located in movie theater lobbies, as well as other forms of advertising and promotions in theatre lobbies. It is also involved in the sale of online and mobile advertising through its Cinema Accelerator digital product, as well as suite of Noovie digital properties. National CineMedia, Inc. was founded in 2005 and is headquartered in Centennial, Colorado.

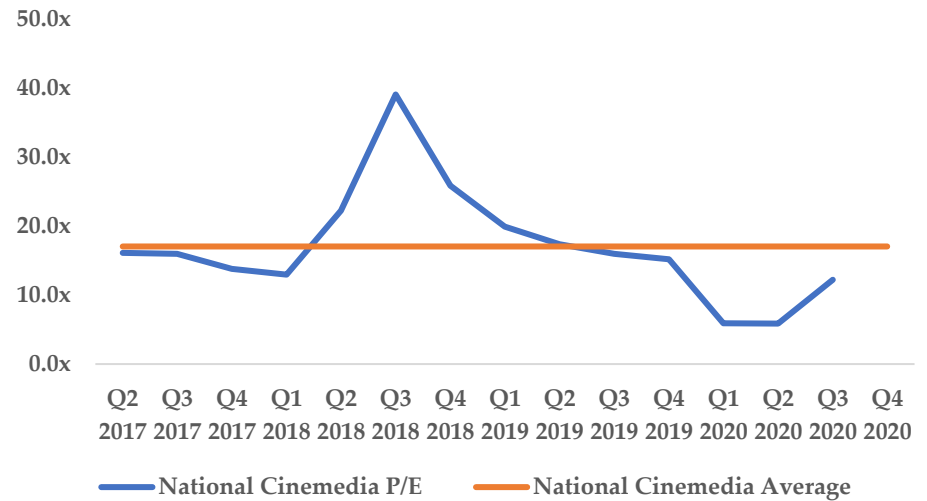
Revenue Multiples - National CineMedia



EBITDA Multiples - National CineMedia



P/E Multiples - National CineMedia

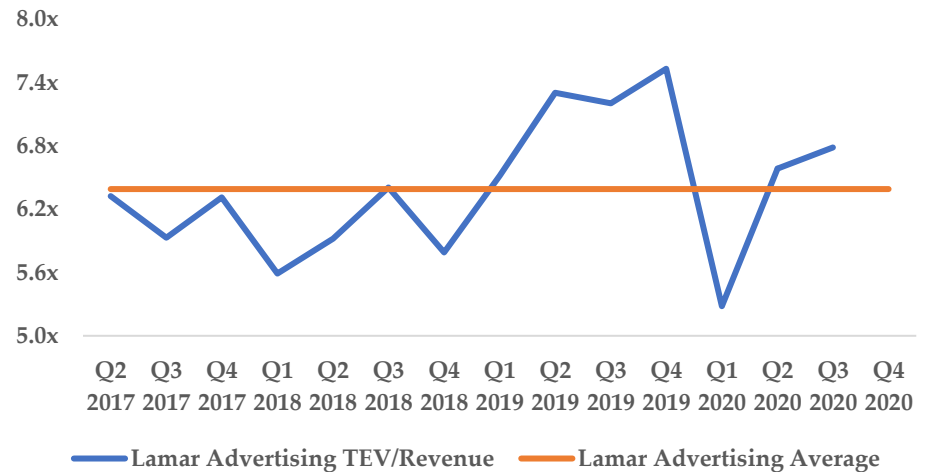


# PUBLIC COMP

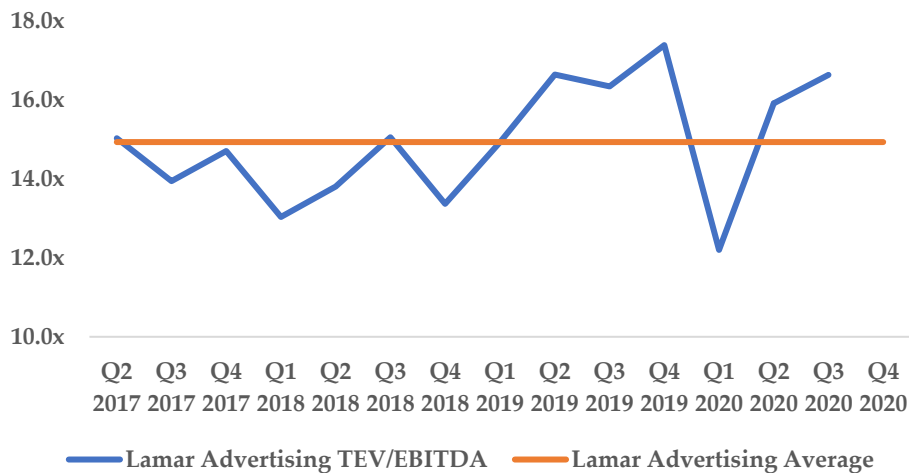
## Lamar Advertising Company (NAS: LAMR)

Founded in 1902, Lamar Advertising is one of the largest outdoor advertising companies in North America, with approximately 385,000 displays across the United States and Canada. Lamar offers advertisers a variety of billboard, interstate logo, transit and airport advertising formats, helping both local businesses and national brands reach broad audiences every day. In addition to its more traditional out-of-home inventory, Lamar is proud to offer its customers the largest network of digital billboards in the United States with over 3,600 displays. The company is headquartered in Baton Rouge, LA.

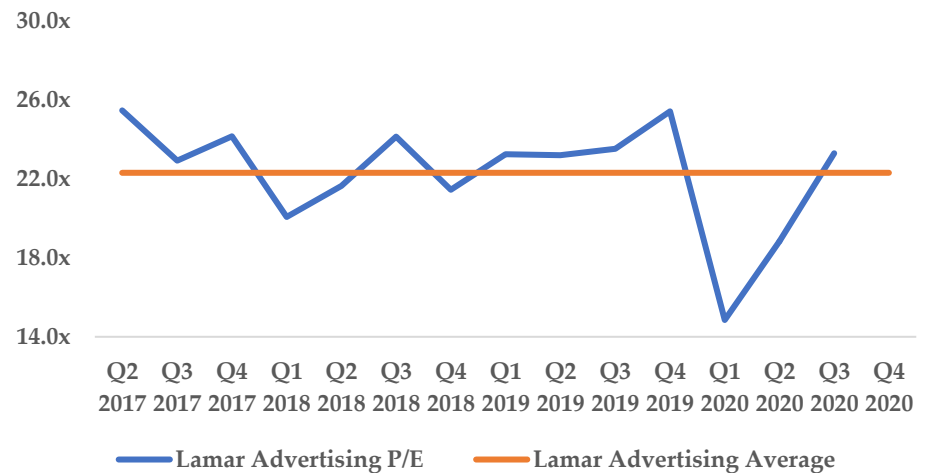
### Revenue Multiples - Lamar Advertising



### EBITDA Multiples - Lamar Advertising



### P/E Multiples - Lamar Advertising

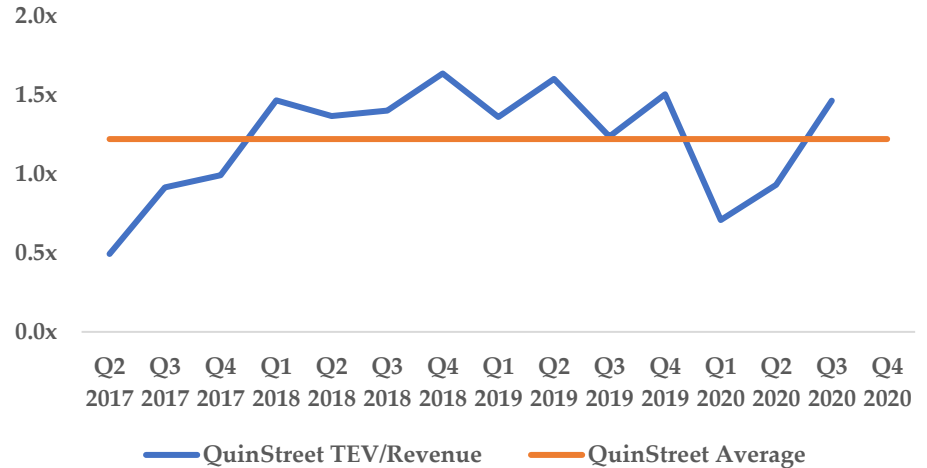


# PUBLIC COMP

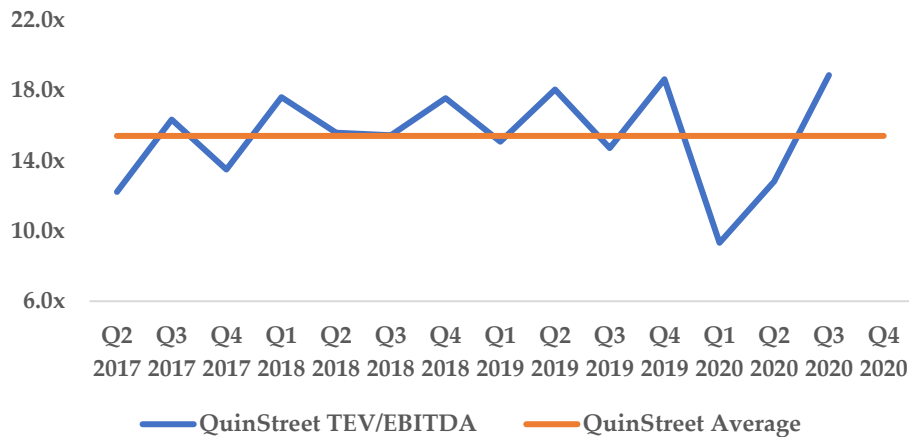
## QuinStreet (NAS: QNST)

QuinStreet, Inc., an online performance marketing company, provides customer acquisition services for its clients in the United States and internationally. The company offers online marketing services to its clients in the form of qualified clicks, leads, inquiries, calls, applications, customers, display advertisements, or impressions through its websites or third-party publishers. It provides its services in various verticals, such as financial services, education, home services, and business-to-business technology. The company was founded in 1999 and is headquartered in Foster City, California.

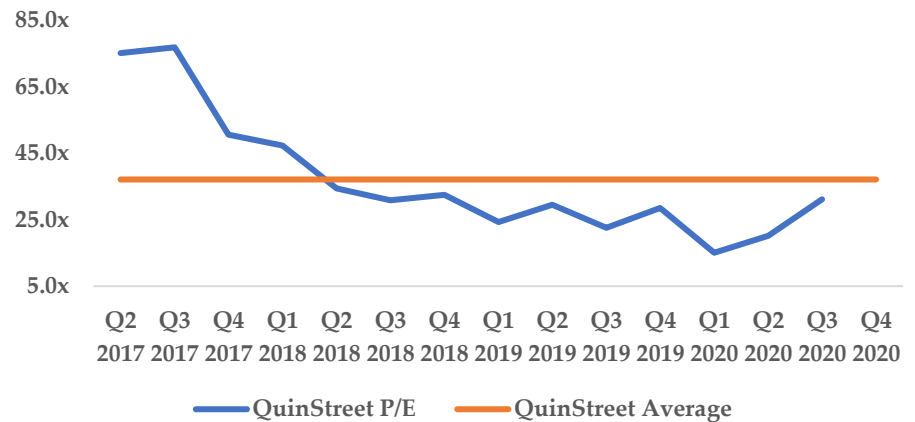
### Revenue Multiples - QuinStreet



### EBITDA Multiples - QuinStreet



### P/E Multiples - QuinStreet



# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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## **Robert S. Cashion** **Managing Director, Investment Banking and Advisory Services**

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firm's overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



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# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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## **Elizabeth Folger** **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



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# DAVIDSON CAPITAL ADVISORS ANALYST TEAM

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## **Neil Lavietes**

### **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors in 2020, Mr. Lavietes interned with Sherman and Company for the summer of 2019. He graduated from The University of Georgia in 2020 with a Bachelor of Business Administration with a major in Finance and Risk Management Insurance.

## **Jacob Dailey**

### **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors, Mr. Dailey interned with International Electric Power in Pittsburgh, PA. He graduated from Wake Forest University in 2019 with a BA in Economics.

## **Matthew Torres**

### **Analyst, Investment Banking**

Prior to joining Davidson Capital in 2020, Mr. Torres worked with Sustainable Opportunities Acquisition Corp. He graduated from University of Virginia with a Masters in Commerce with a concentration in Finance.