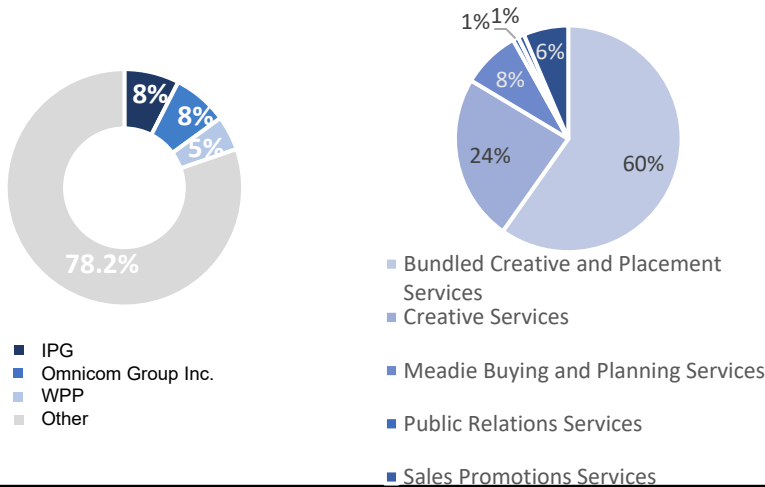


Marketing & Advertising Industry Snapshot July 2021

Executive Summary

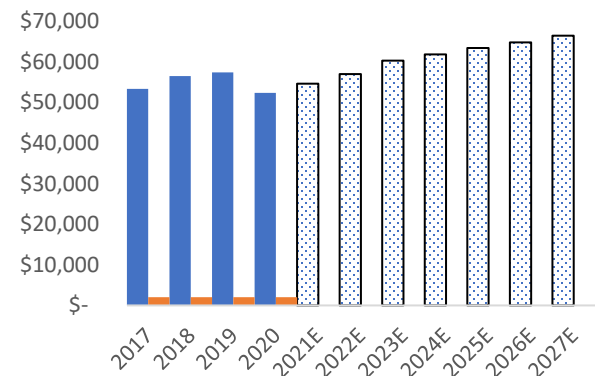
The Advertising Agencies industry provides creative services, advice, account management and production of advertising material across different channels for its clients. Industry operators also plan and buy media space in periodicals, newspapers, radio and TV or other media. Over most of the five years to 2021, the industry has benefited from growing consumer spending and per capita disposable income, despite declining corporate profit. Overall, IBISWorld estimates industry revenue to increase an annualized 1.2% to \$54.6 billion over the five years to 2021, including an increase of 4.3% in 2021 alone, as it recovers from declines related to the COVID-19 (coronavirus) pandemic. The widespread administration of a vaccine will likely lead to increased consumer and business spending as the economy stabilizes, encouraging spending on advertising. Profit, measured as earnings before interest and taxes, is estimated to account for 5.0% of revenue in 2021.



Sector Spotlight

- \$54.6B** Advertising revenue in 2020
- 3.5%** Projected CAGR until 2025
- 71,510** Advertising Businesses
- \$250B** Total Spent on Advertising in 2019
- 65%** Of advertising spend is digital

Revenue Growth (\$ in millions)



Since businesses were not operating during COVID-19, the need for advertising services rapidly declined, which reduced the revenues for the industry services. Total advertising expenditure is expected to increase as the economy continues to recover from COVID-19 and companies continue to look to lower their technology product pricing.

Segment Breakdown

Bundled Creative and Placement Services

Industry operators collaborate with clients to understand their vision, create a campaign strategy and concept and then create a finished product that conveys this message to the intended audience. Depending on the size and scope of the campaign, a creative team might produce several different ads in a variety of mediums but maintain a common theme. Industry operators also provide media planning, buying and placement services. Media planning and buying involve negotiating, strategizing, and purchasing ad placements.

Creative Services

Not all clients demand full service, many clients need only a particular function completed. Companies operating within the industry are less likely to need media planning because they will know each of the publications; however, they likely need creative work to develop an advertisement, which is expected to make up 23.8% of industry revenue in 2021. IBISWorld expects that creative work will increase as a portion of industry revenue with the rise of alternative forms of marketing, including viral advertising, over the next 5 years.

Media Buying and Planning Services

Advertising agencies often have contracts with media outlets and can get a better price for media space than a business could get themselves. Thus, many business operators hire agencies to plan and represent them in the field without creative services. This service segment is estimated to represent 8.3% of industry revenue in 2021. Revenue from this segment as a share of total industry revenue is estimated to decline over the five years to 2021..

Industry Outlook

Growth will likely come as the proliferation of digital mediums, such as tablets and smartphones, provide new revenue streams and increased demand for digital advertising services. For example, many digital advertising tactics have yet to be fully used, such as mobile and location-based advertising. The accelerated adoption of e-commerce platforms and other online services catalyzed by the coronavirus pandemic is expected to have created a lasting higher level of demand for digital advertising services as well. As of writing, it is expected that the economy will establish a recovery in late 2021, particularly as the administration of the coronavirus vaccine becomes widespread. Users to spread advertisements between each other.

Moving forward, total advertising expenditure is expected to grow, increasing at an annualized rate of 3.8% over the five years to 2026, spurring industry revenue growth.

Market Concentration

The Advertising Agencies industry has a low level of market share concentration. In 2021, the combined revenue of the top four advertising agencies is expected to account for 23.2% of total industry revenue. Moreover, more than 60.0% of establishments employ fewer than five people. Over the past five years, market share has remained stable, in line with merger and acquisition activity and a rise in small niche (digital) operators. For example, the Interpublic Group of Companies Inc.'s subsidiary, Lowe and Partners, acquired Lowe Profero, a global digital network that specializes in digital advertising, media and marketing solutions. This trend is indicative of many large agencies expanding into global markets, which has enabled these agencies to attract a customer base of clients that wanted to streamline their global advertising expenditures. Nevertheless, some clients still viewed small agencies as providing superior, low-cost services, including a high level of creativity.

Recent Public Transactions

Dec 2019

Oct 2020

Nov 2020

Mar 2021

May 2021



Private Transactions

Sale Date	Target Business Description	Deal Value	Operating Profit	EBITDA	DV/Earnings	DV/ EBITDA
09/25/2020	Marketing Service	\$1,900,000	\$668,884	\$698,578	2.7x	2.7x
12/11/2020	Digital Marketing Agency	\$599,000	\$83,935	\$84,485	4.4x	7.1x
02/28/2020	Marketing Agency	\$351,505	\$31,671	\$34,310	7.4x	10.3x
01/17/2018	Advertising and Marketing Company	\$1,800,000	\$76,112	\$76,112	3.3x	23.7x
10/30/2018	Marketing Materials	\$999,800	\$182,597	\$217,782	3.1x	4.6x
06/01/2018	Telemarketing company	\$100,000	\$113,643	\$113,643	0.9x	0.9x
12/29/2020	Marketing Firm	\$4,500,000	\$512,108	\$513,239	8.8x	8.8x
10/05/2020	Marketing Agency	\$225,000	\$57,000	\$57,000	2.7x	4.0x

Public Comps

Company Name	Revenue Growth %	Gross Margin	EBITDA Margin	FTE	Revenue / FTE	EV/Revenue	EV/EBITDA
Omnicom Group	11.92%	16.57%	13.84	64,100	205.5	1.29	7.64
The Interpublic Group of Companies	11.35%	14.92%	8.99%	52,800	171.6	1.83	13.44
National Cinimedia	-79.68%	88.61%	142.50%	534	169.3	32.05	14.55
Lamar Advertising	-10.54%	64.45%	40.55	3,300	475.4	9.18	21.29
QuinStreet	17.98%	12.19%	8.10%	592	977.2	1.37	16.9
Median	11.35%	16.57%	142.50%	3,300	205	2	15