

Marketing & Advertising Industry Report July 2021



ADVERTISING INDUSTRY KEY TAKEAWAYS

- ❑ **Marketing & 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 Marketing & 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

\$54.6bn
Revenue

Annual Growth
2016–2021
1.3%

Annual Growth
2021–2026
3.5%



\$2.7bn
Profit

Annual Growth
2016–2021
-6.9%



5.0%
Profit Margin

Annual Growth
2016–2021
-2.6pp



71,510
Businesses

Annual Growth
2016–2021
2.1%

Annual Growth
2021–2026
2.7%



247k
Employment

Annual Growth
2016–2021
0.0%

Annual Growth
2021–2026
2.9%



\$20.9bn
Wages

Annual Growth
2016–2021
0.6%

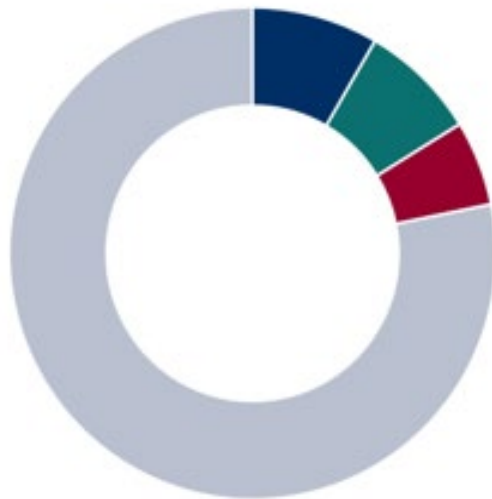
Annual Growth
2021–2026
3.0%



Advertising Agencies
Source: IBISWorld

INDUSTRY AT A GLANCE

Major Players



- 8.4% IPG
- 7.8% Omnicom Group Inc.
- 5.6% WPP
- 78.2% Other

Advertising Agencies

Source: IBISWorld

SWOT

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STRENGTHS

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

W

WEAKNESSES

- Low & Steady Barriers to Entry
- Low & Steady Level of Assistance
- Low Profit vs. Sector Average
- High Product/Service Concentration

O

OPPORTUNITIES

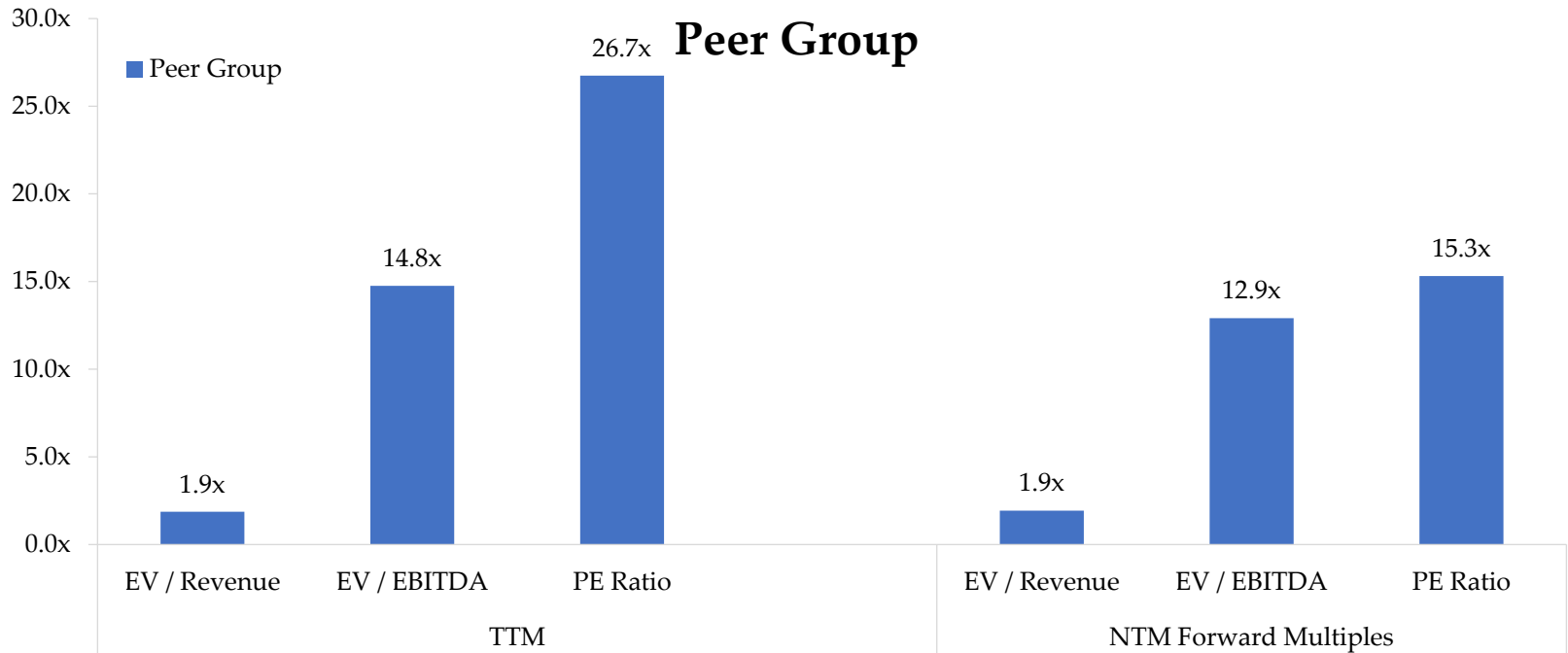
- High Revenue Growth (2021-2028)
- Investor uncertainty

T

THREATS

- Low Revenue Growth (2005-2021)
- Low Revenue Growth (2016-2021)
- Low Outlier Growth
- Low Performance Drivers
- Total advertising expenditure

PUBLIC COMPARABLES



Omnicom

IPG

NCMSM

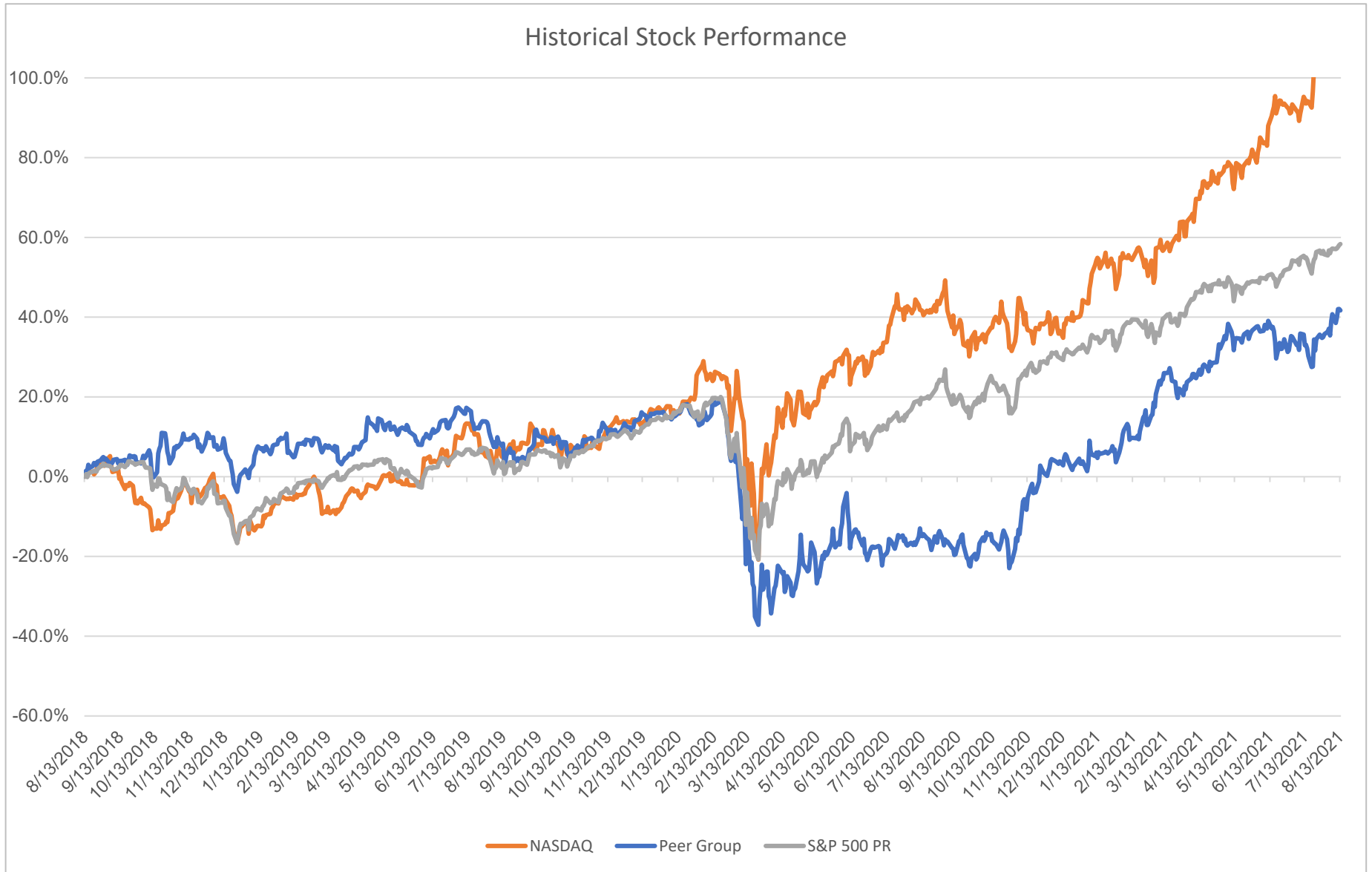
LAMAR

QUIN STREET

PUBLIC COMPARABLES

As of 7/31/21 \$ in Millions Ticker	Omicom Group OMC	The Interpublic Group of Companies IPG	National CineMedia NCMI	Lamar Advertising LAMR	QuinStreet QNST	
Total Revenue	\$13,962	\$9,442	\$41	\$1,631	\$520	
Gross Profit	2,732	1,776	33	1,085	58	
EBIT	2,152	999	53	456	36	
Net Income	\$1,347.40	\$747.00	(\$90.00)	\$329.40	\$30.57	
EBITDA	2,367	1,283	91	703	50	
Total Debt	6,341	5,115	1,097	3,968	11	
EV	18,332	16,814	1,377	14,742	890	
Employees	64,100	52,800	419	3,300	592	
Ratio Analysis						Median
Revenue/Employee	\$217,817	\$178,828	\$98,091	\$494,112	\$878,144	\$217,817
EV/Revenue	1.31x	1.78x	44.27x	9.62x	1.63x	1.78x
Debt/EBITDA	2.87x	4.16x	11.83x	5.87x	0.21x	4.16x
EV/EBITDA	1.31x	1.78x	44.27x	9.62x	1.63x	1.78x
Market Cap/EBITDA	6.60x	10.85x	2.91x	17.29x	23.11x	10.85x
Market Cap	15,613	13,918	281	10,778	983	
Close Price	72.82	35.36	3.48	106.60	18.34	
52 Week Low	44.50	15.92	1.81	59.78	11.14	
52 Week High	86.38	35.95	6.11	108.75	25.99	
Gross Margin	19.6%	18.8%	81.3%	66.5%	11.1%	19.6%
EBIT	15.4%	10.6%	129.4%	28.0%	6.9%	15.4%
EBITDA	17.0%	13.6%	220.2%	43.1%	9.6%	17.0%
Acct. Receivable Days	174	196	140	53	49	140
Inventory Days	37	NM	NM	NM	NM	37
Acct. Payable Days	315	281	893	12	31	281
Revenue Growth	-0.1%	-2.9%	-87.4%	-2.6%	7.7%	-2.6%

MARKETING & ADVERTISING INDEX VS. S&P 500



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

RECENT PRIVATE TRANSACTIONS

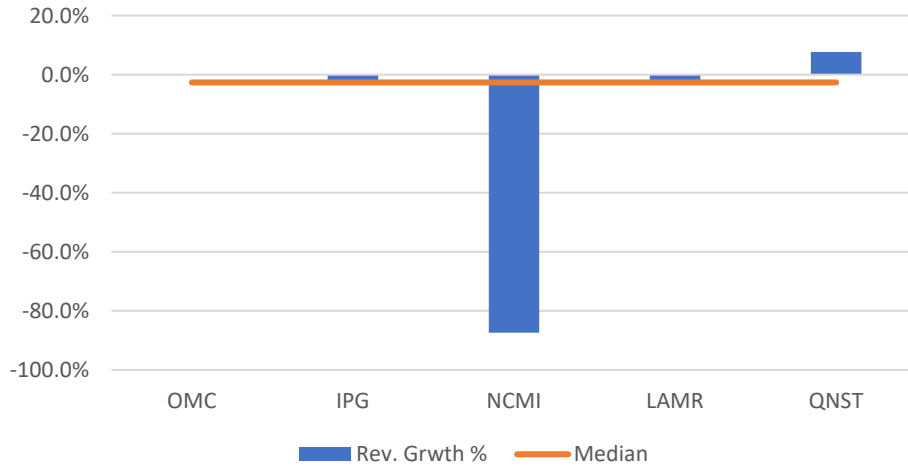
Date	Target Description	Deal Value	EBITDA	Revenue	DV/EBITDA	DV/Revenue
02/28/2020	Marketing Agency	\$ 351,505	\$ 34,310	\$ 659,800	10.3x	0.53x
12/12/2019	Digital Advertising Company	\$ 525,000	\$ 90,952	\$ 474,781	5.8x	1.11x
01/17/2018	Advertising and Marketing Comp	\$ 1,800,000	\$ 76,112	\$ 4,172,037	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
			Low	\$ 474,781	5.4x	0.4x
			Median	\$ 1,896,330	7.4x	0.6x
			High	\$ 4,172,037	23.7x	1.5x

RECENT PUBLIC TRANSACTIONS

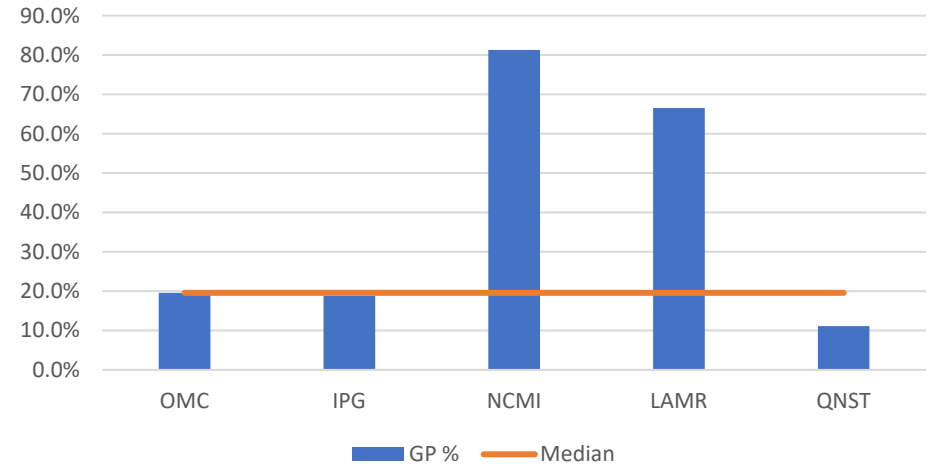
Deal Date	Target/Issuer	HQ Location	Buyers/Investors	Deal Size	Primary Industry Sector
01-Jul-2019	Epsilon Data Management	Irving, TX	Publicis Groupe (PAR: PUB)(Maurice Lévy)	4,451.00	Business Products and Services (B2B)
01-Feb-2019	Pandora Media	Oakland, CA	Sirius XM Radio (NAS: SIRI)(James Meyer)	3,500.00	Consumer Products and Services (B2C)
26-Jul-2019	Liberty Expedia Holdings	Englewood, CO	Expedia Group (NAS: EXPE)(Mark Okerstrom)	2,900.00	Financial Services
03-May-2021	Glu Mobile	San Francisco, CA	Electronic Arts (NAS: EA)(Andrew Wilson)	2,100.00	Information Technology
01-Jun-2020	TiVo	San Jose, CA	Xperi (NAS: XPER)(Jon Kirchner)	828.33	Business Products and Services (B2B)
30-May-2019	Placed	Seattle, WA	Foursquare(Dennis Crowley)	185.90	Information Technology
08-Oct-2019	Firewood Marketing	San Francisco, CA	MediaMonks(Wesley Ter Haar)	150.00	Business Products and Services (B2B)
08-Nov-2019	DataXu	Boston, MA	Roku (NAS: ROKU)(Anthony Wood)	148.40	Information Technology
03-Jan-2019	Periscope (Marketing)	Minneapolis, MN	Quad/Graphics (NYS: QUAD)(J. Quadracci)	121.00	Business Products and Services (B2B)
23-Dec-2019	Airpush	Denver, CO	AppScatter(Philip Marcella)	104.53	Business Products and Services (B2B)
24-May-2021	DialogTech	Chicago, IL	Invoca(Gregg Johnson)	100.00	Information Technology
16-Jul-2020	Digital Media Solutions (United States) (NYS: DMS)	Clearwater, FL	Leo Holdings	100.00	Business Products and Services (B2B)
28-Sep-2020	True[x]	Los Angeles, CA	Gimbal(Robert Emrich)	100.00	Business Products and Services (B2B)
01-Jul-2019	Appcast	Lebanon, NH	StepStone	79.06	Information Technology
19-Nov-2019	Ubimo	New York, NY	Quotient Technology (NYS: QUOT)(Steven Boal)	39.80	Business Products and Services (B2B)
29-Jul-2019	SmartBrief	Washington, DC	Future (Media) (LON: FUTR)(Zillah Byng-Thorne)	37.40	Business Products and Services (B2B)
13-Oct-2020	RedMas	Coral Gables, FL	Entravision Communications (NYS: EVC)(Walter Ulloa)	29.90	Business Products and Services (B2B)
01-Mar-2021	Appreciate	Herzlia, Israel	Digital Turbine (NAS: APPS)(William Stone)	22.50	Information Technology
01-Jan-2020	Resci	Santa Monica, CA	Endurance International Group(Jeffrey Fox)	17.50	Information Technology
30-Jul-2019	Mad*Pow	Portsmouth, NH	Tech Mahindra (BOM: 532755)(CP Gurnani)	17.00	Business Products and Services (B2B)
10-Mar-2021	Podcorn	Beverly Hills, CA	Audacy (Digital Audio) (NYS: AUD)(J.D. Crowley)	14.60	Business Products and Services (B2B)
08-May-2020	Frankly Media	New York, NY	Engine Media (TSX: GAME)(Darren Cox)	13.21	Business Products and Services (B2B)
16-Nov-2020	ToneDen	Los Angeles, CA	Eventbrite (NYS: EB)	7.50	Business Products and Services (B2B)
21-May-2021	Digital Media Services	New York, NY	Yangaroo (TSX: YOO)(Grant Schuettrumpf)	5.50	Business Products and Services (B2B)
04-Aug-2020	Strong Outdoor	New York, NY	Firefly	3.77	Business Products and Services (B2B)

OPERATING METRICS

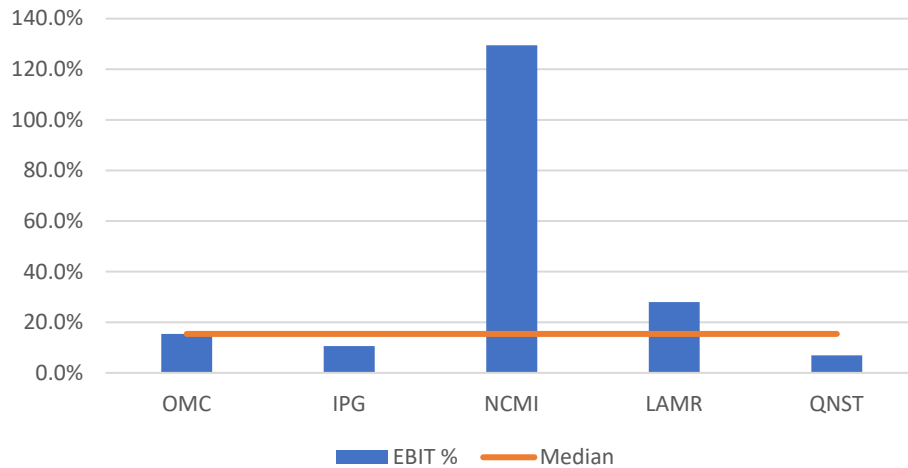
Revenue Growth



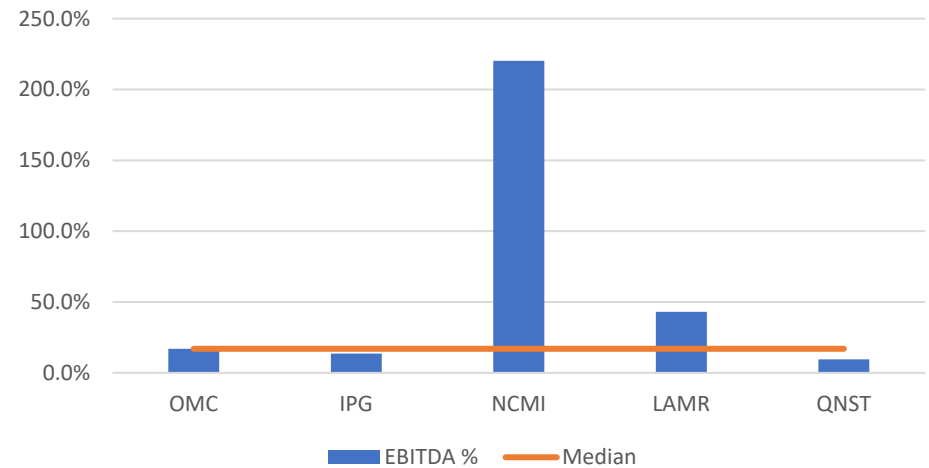
Gross Profit Margin



EBIT Margin

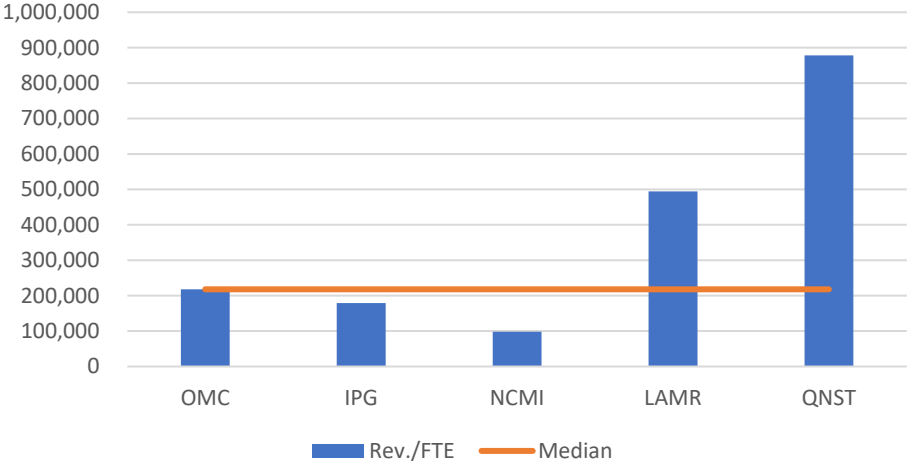


EBITDA Margin

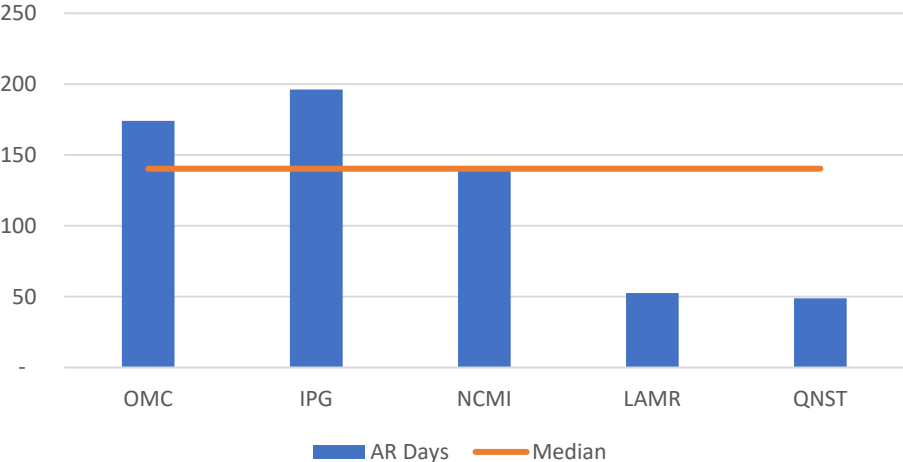


RATIO ANALYSIS

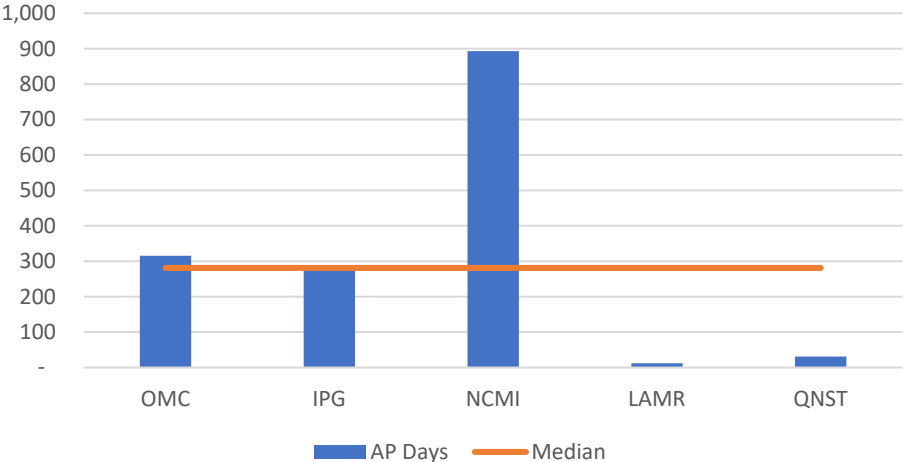
Revenue per Employee



AR Days



AP Days



VALUATION TRENDS

Ticker		Company		Fundamentals								
				TTM				NTM Estimates				
				Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
Peer Group												
OMC	Omnicom Group	74.69	16,245.67	18,964.57	13,962.10	2,366.80	6.25	14,212.23	2,342.50	6.14		
IPG	The Interpublic Group of C	37.45	14,800.12	17,695.22	9,442.10	1,283.10	1.91	9,149.00	1,802.00	2.45		
NCMI	National Cinemedia	2.59	219.66	1,334.16	41.10	90.50	(1.14)	248.85	80.08	(0.21)		
LAMR	Lamar Advertising	108.46	10,975.28	14,875.02	1,630.57	702.69	3.26	1,776.86	820.62	4.11		
QNST	QuinStreet	16.42	898.66	796.89	544.25	42.55	0.41	642.43	63.76	0.79		

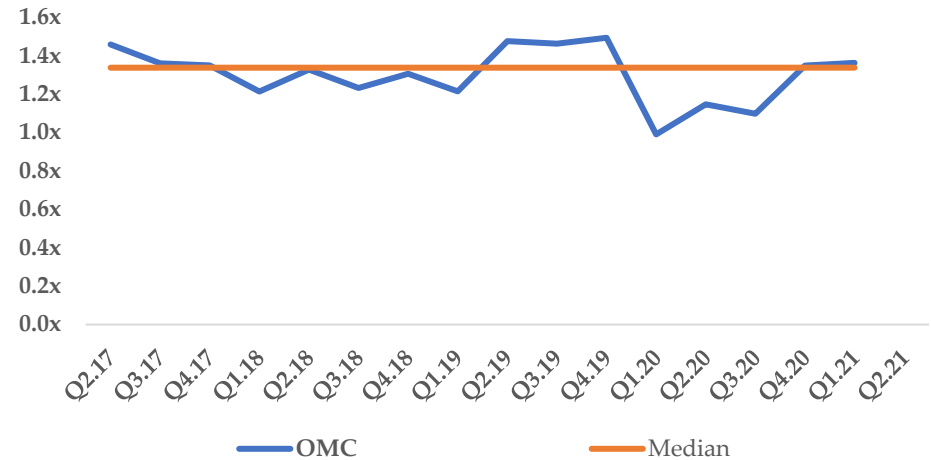
Ticker		Company		Multiples					
				TTM			NTM Forward Multiples		
				EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
Peer Group									
OMC	Omnicom Group	1.5x	10.8x	18.2x	1.4x	8.4x	13.5x		
IPG	The Interpublic Group of C	1.8x	17.8x	30.1x	1.9x	9.9x	15.5x		
NCMI	National Cinemedia	47.6x	15.3x		6.1x	19.0x	-23.8x		
LAMR	Lamar Advertising	9.5x	23.3x	43.6x	8.5x	19.1x	31.3x		
QNST	QuinStreet	1.6x	20.9x	45.9x	1.5x	15.8x	25.8x		

PUBLIC COMP

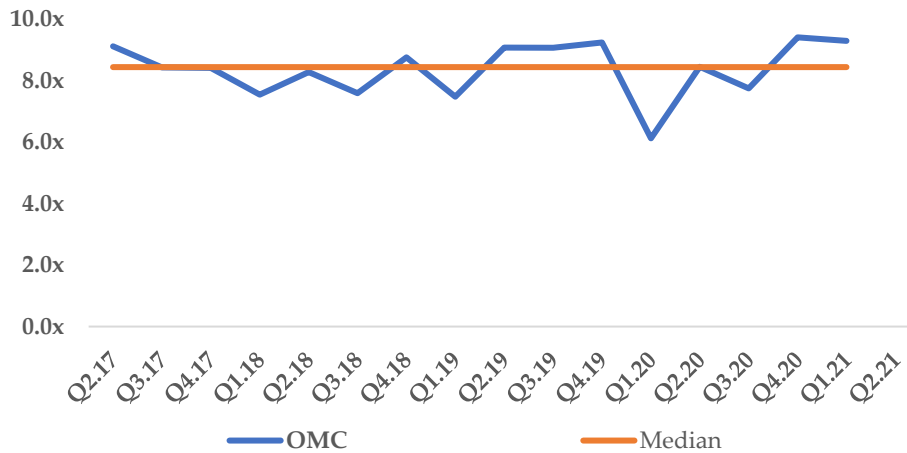
Omnicom Group Inc. (NYS: OMC)

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.

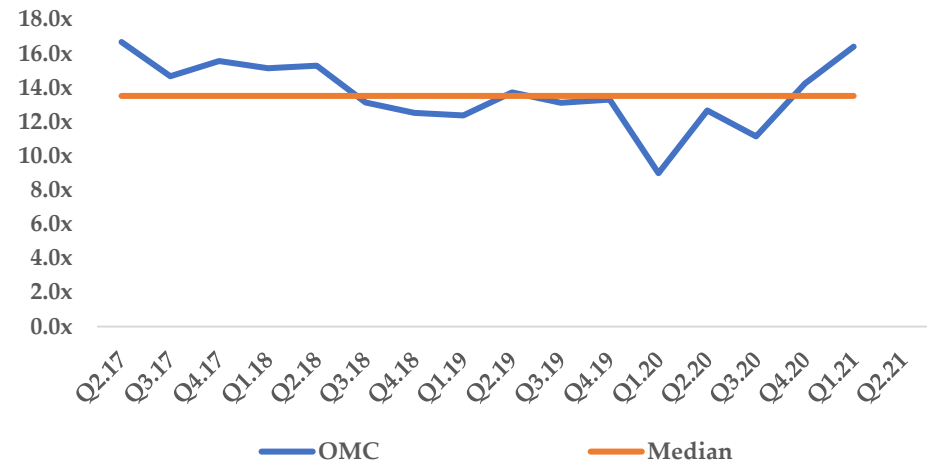
EV/Revenue Omicom Group



EV/EBITDA Omicom Group



P/E Omicom Group

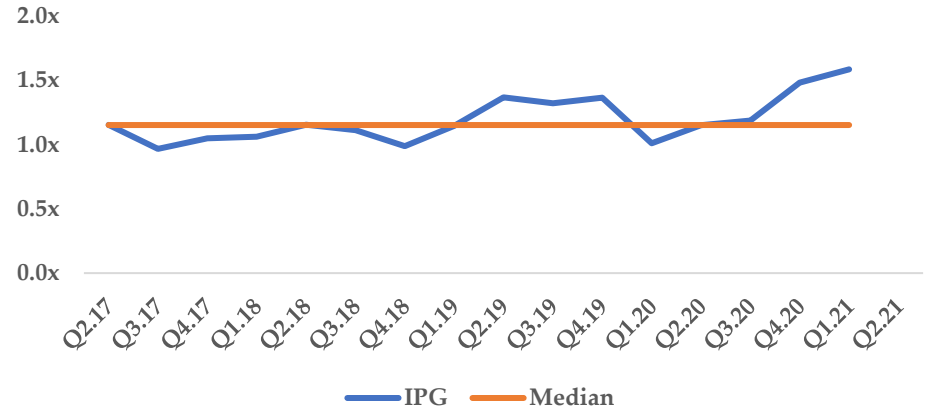


PUBLIC COMP

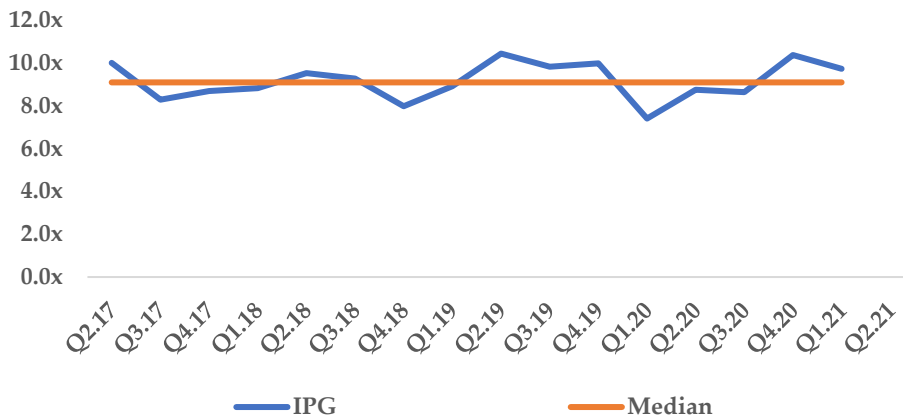
The Interpublic Group of Companies, Inc. (NYS: IPG)

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.

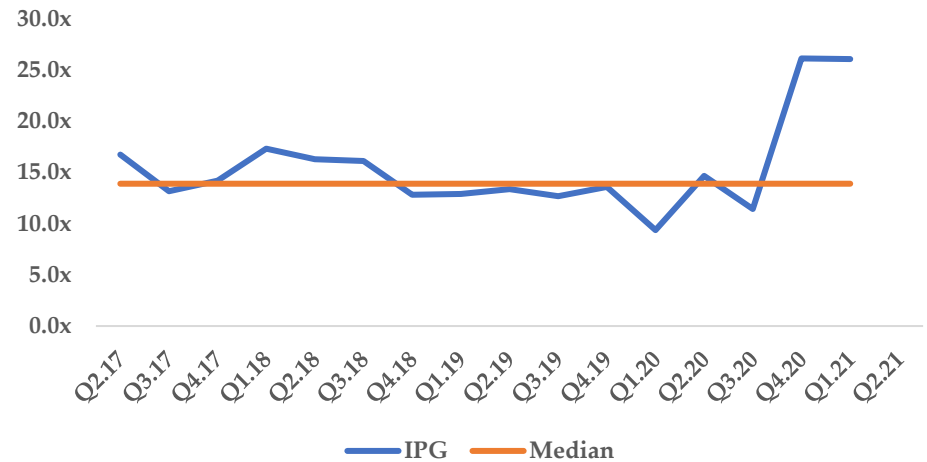
EV/Revenue The Interpublic Group of Companies



EV/EBITDA The Interpublic Group of Companies



P/E The Interpublic Group of Companies

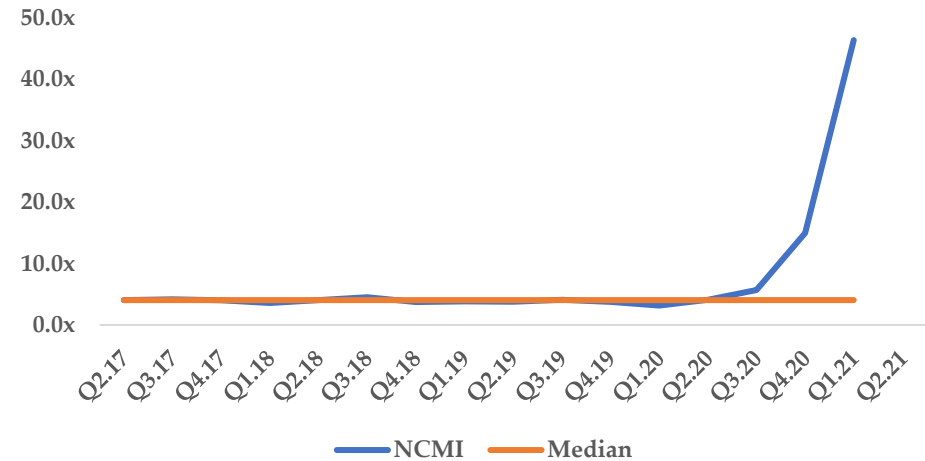


PUBLIC COMP

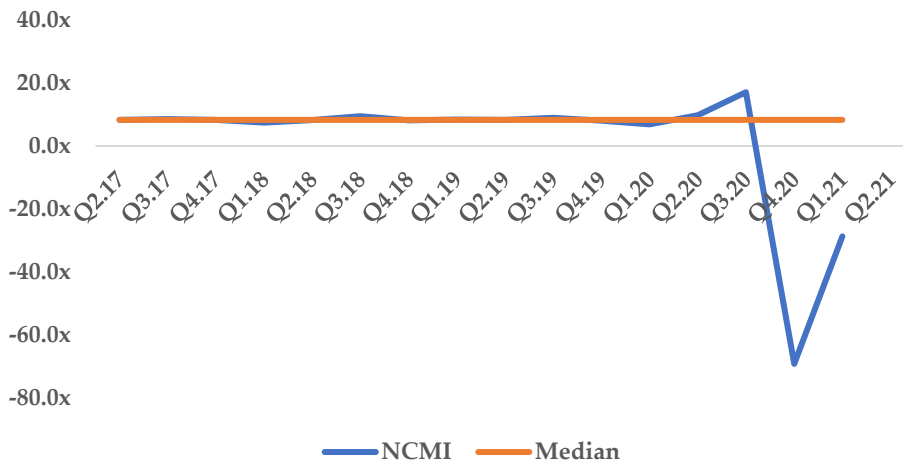
National CineMedia, Inc. (NYS: NCMI)

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.

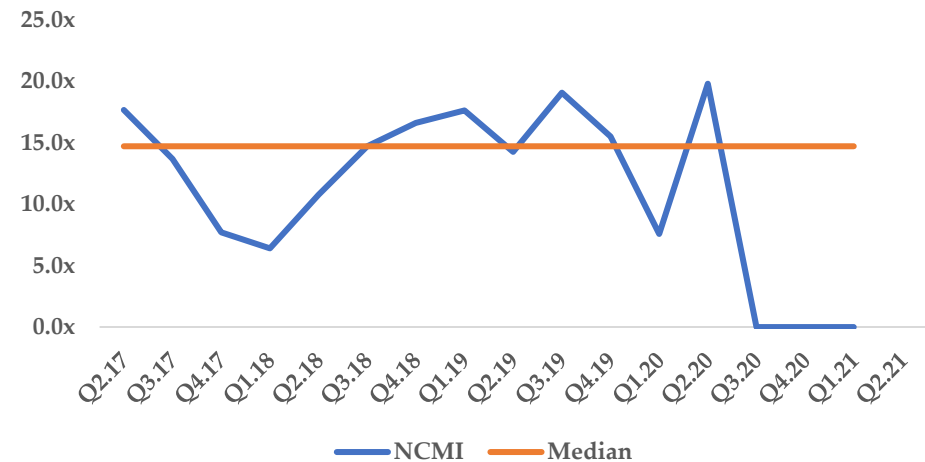
EV/Revenue National CineMedia



EV/EBITDA National CineMedia



P/E National CineMedia

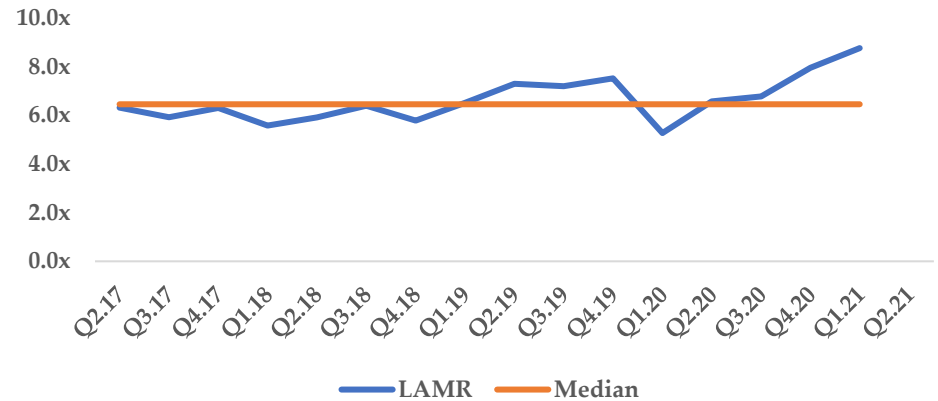


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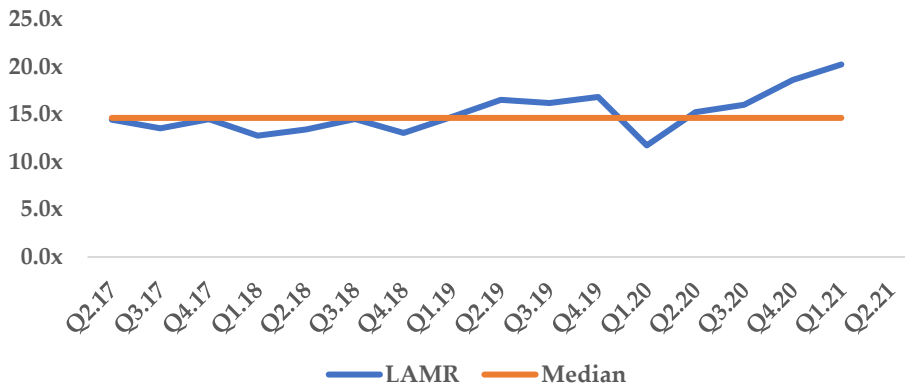
Lamar Advertising Company (NAS: LAMR)

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.

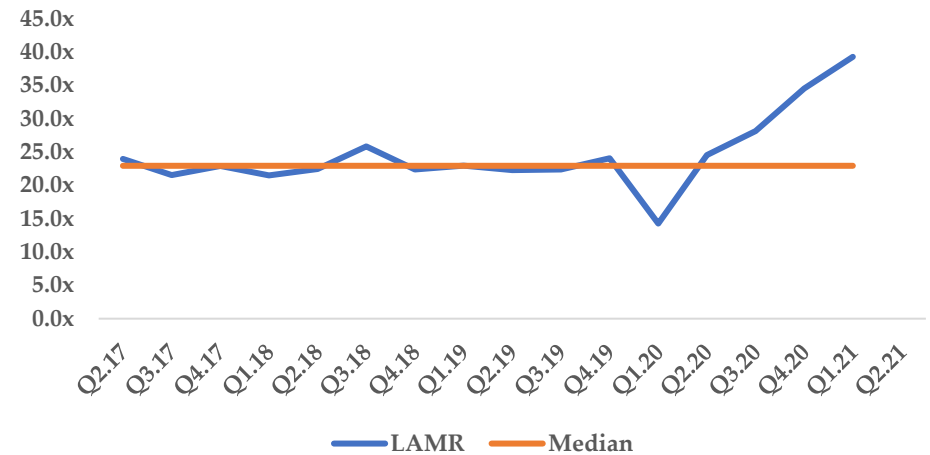
EV/Revenue Lamar Advertising



EV/EBITDA Lamar Advertising



P/E Lamar Advertising

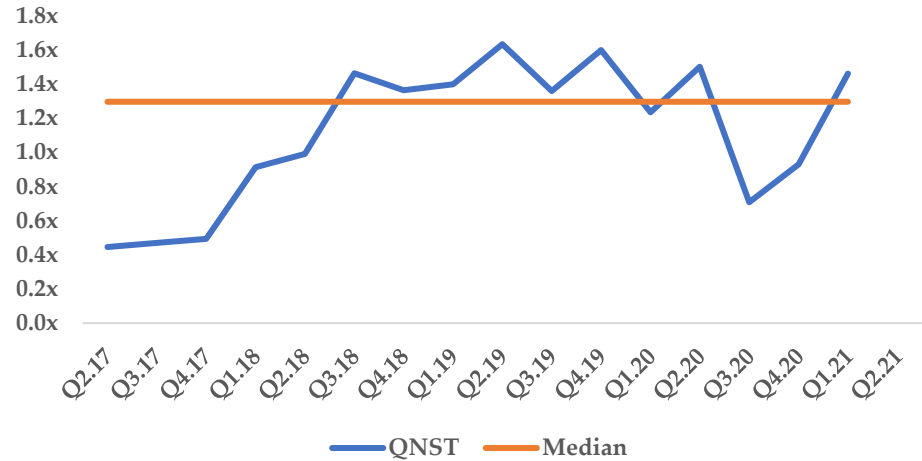


PUBLIC COMP

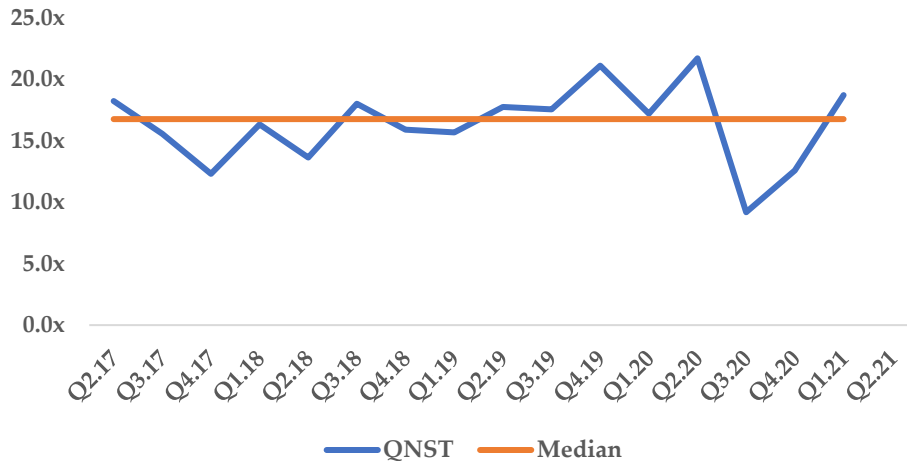
QuinStreet (NAS: QNST)

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.

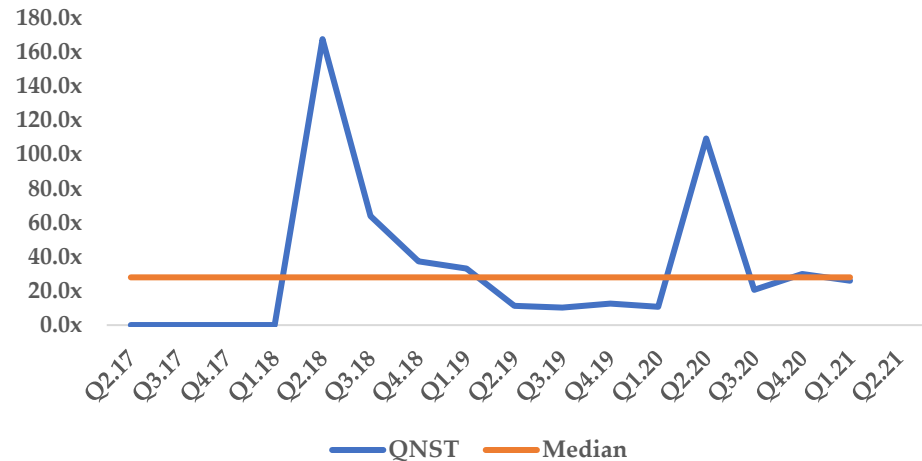
EV/Revenue QuinStreet



EV/EBITDA QuinStreet



P/E QuinStreet



DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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

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

Maxwell Purdy

Corporate Finance Coverage

Prior to joining Davidson Capital Advisors in 2021, Mr. Purdy interned with Graycliff Partners, a private equity located in New York, NY. He graduated from University of North Carolina Chapel Hill in 2021 with a BS in Political Science and a minor in Economics and Entrepreneurship.

Maxwell assists in leading the firm's corporate finance client coverage as well as private equity coverage.

Jake Hall

Analyst, Investment Banking

Prior to joining Davidson Capital Advisors, Mr. Hall interned with Churchill Terry, a private equity firm located in Dallas, TX. He graduated from Southern Methodist University in 2021 with an MBA in Finance and Strategy.

Samuel Fernandez

Analyst, Investment Banking

Prior to joining Davidson Capital Advisors, Mr. Fernandez served as a board member for Radio Nueva Vida, a radio network chain operating in the Southeast. He graduated from the University of North Carolina at Charlotte with a BS in Finance.

Luke Habecker

Analyst, Investment Banking

Prior to joining Davidson Capital Advisors, Mr. Habecker worked in Brokerage and Business development with Odyssey Specialized Logistics, a logistics firm located in Chicago, IL. He graduated from the University of North Carolina at Charlotte with a BS in Finance.