



# ADVERTISING INDUSTRY KEY TAKEAWAYS

- ❑ **Advertising revenues** are expected to increase at an annualized rate of 4.8% over the next four 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 four 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



### 75,510 Businesses

- Annual Growth 2016 – 2021 2.7%
- Annual Growth 2021 – 2026 2.7%



### 247k Employment

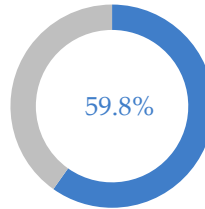
- Annual Growth 2021 – 2026 2.9%



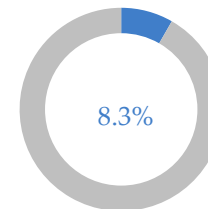
### \$20.9bn Wages

- Annual Growth 2016 – 2021 0.6%
- Annual Growth 2021 – 2026 3.0%

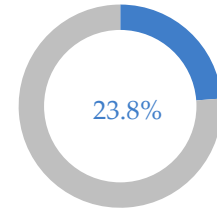
## Segments



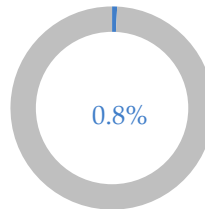
Bundled creative services



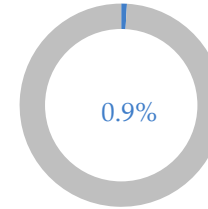
Media buying/planning services



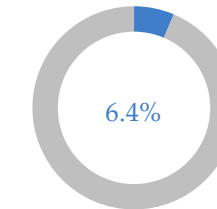
Creative services



Public relations services



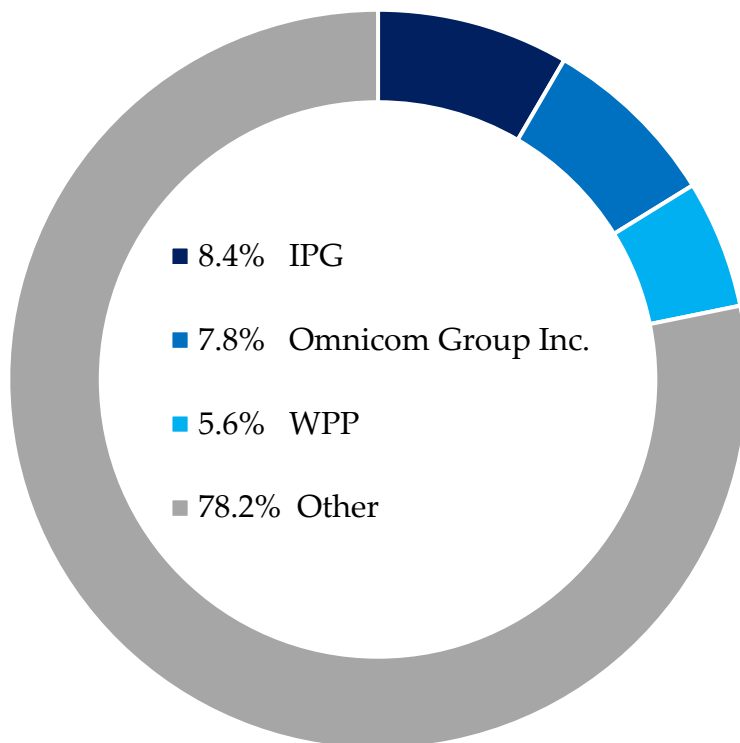
Sales promotion services



All Other Services

# INDUSTRY AT A GLANCE

## Major Players



## SWOT Analysis

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### STRENGTHS

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

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### WEAKNESSES

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

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### OPPORTUNITIES

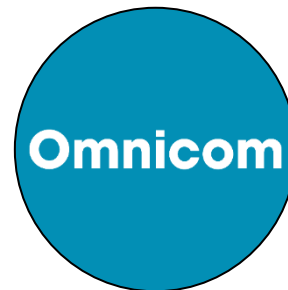
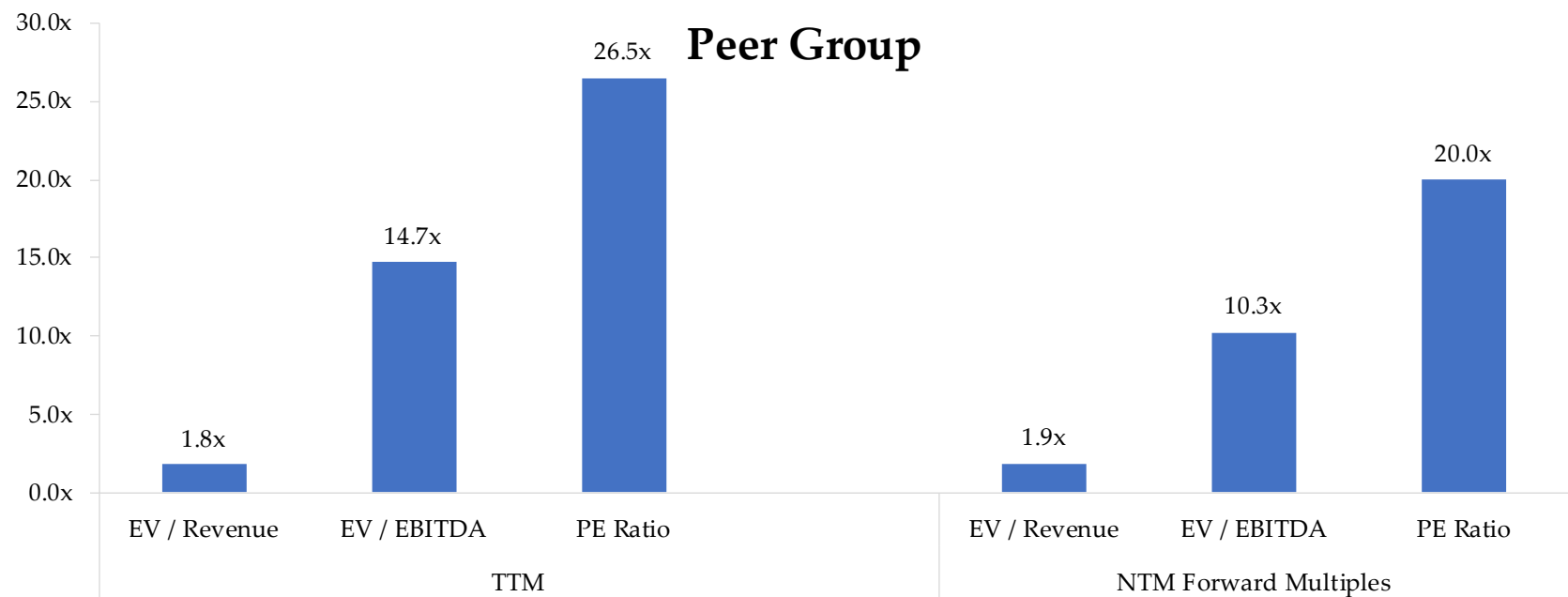
- High Revenue Growth (2021-2026)
- Investor Uncertainty

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### THREATS

- Low Revenue Growth (2005-2021)
- Low Outlier Growth
- Low Performance Drivers
- Total Advertising Expenditure

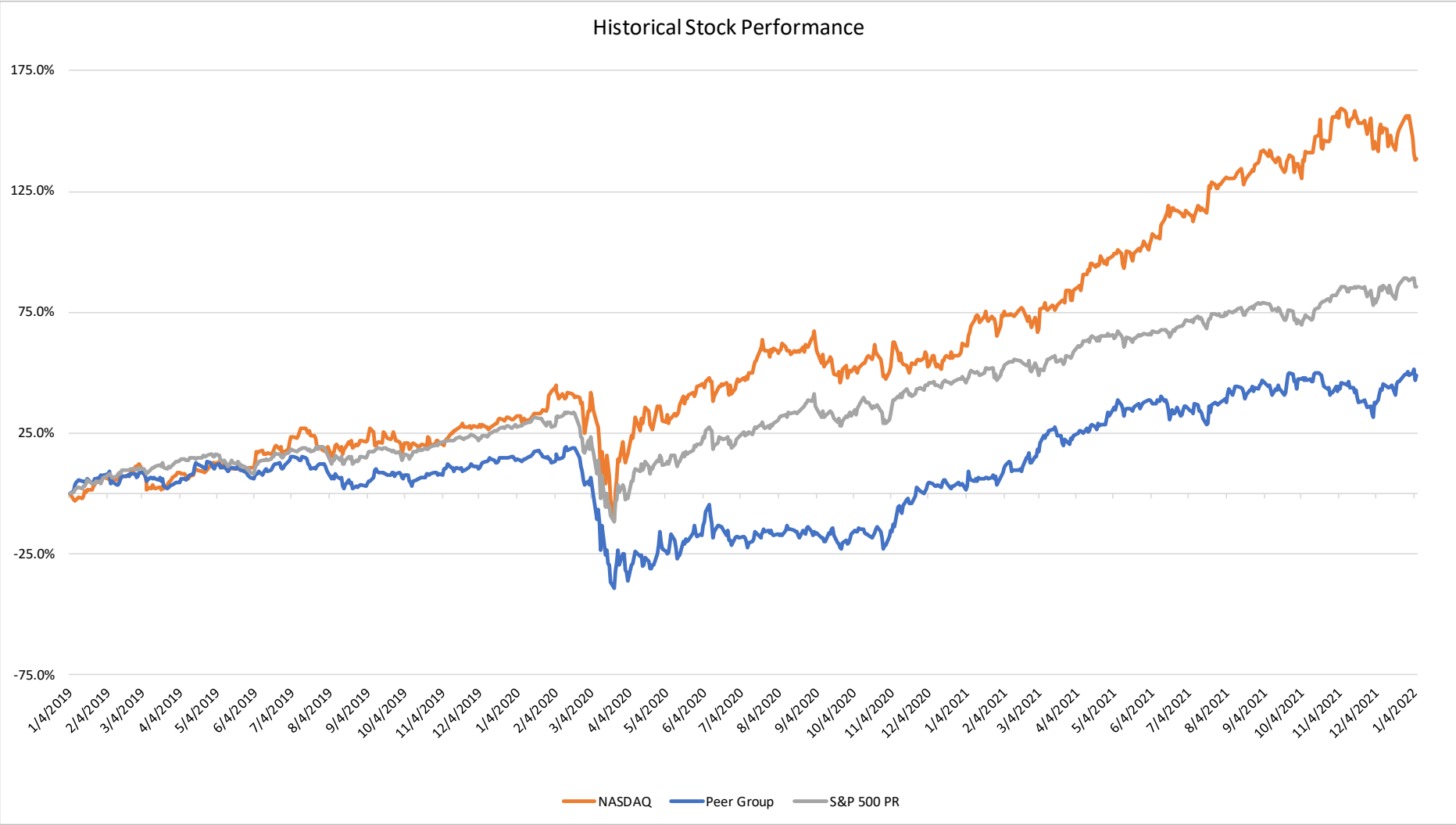
# PUBLIC COMPARABLES



# PUBLIC COMPARABLES

\$ in Millions	Omnicom Group	Interpublic Group	Lamar Advertising	QuinStreet	
Ticker	OMC	IPG	LAMR	QNST	
Total Revenue	\$13,962	\$9,442	\$1,631	\$578	
Gross Profit	2,732	1,776	1,085	71	
EBIT	2,152	999	456	31	
Net Income	\$1,347	\$747	\$329	\$24	
EBITDA (Normalized)	2,428	1,697	744	52	
Total Debt	6,341	5,115	3,968	9	
EV	18,299	17,716	16,266	904	
Employees	64,100	52,800	3,300	614	
Ratio Analysis					Median
Revenue/Employee	\$217,817	\$178,828	\$494,112	\$942,161	\$217,817
EV/Revenue	1.29x	1.80x	9.45x	1.51x	1.80x
Debt/EBITDA	2.87x	4.16x	5.87x	0.21x	4.16x
EV/EBITDA (Normalized)	10.26x	10.97x	21.86x	19.47x	15.22x
Market Cap/EBITDA	9.23x	13.95x	16.93x	23.41x	13.95x
Market Cap (mm)	15,706	14,825	12,345	1,003	
Close Price	73.89	37.65	121.94	18.49	
52 Week Low	60.37	23.05	78.06	13.23	
52 Week High	86.38	39.35	123.92	25.99	
Gross Margin	0.20	0.19	0.67	0.12	0.20
EBIT	15.4%	10.6%	28.0%	5.3%	15.4%
EBITDA	0.17	0.14	0.43	0.08	0.17
Acct. Receivable Days	174	196	53	47	140
Inventory Days	36.99	NM	NM	NM	36.99
Acct. Payable Days	315	281	12	30	281
Revenue Growth	(0.00)	(0.03)	(0.03)	0.18	(0.03)

# ADVERTISING INDEX Vs. S&P 500



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



# RECENT PRIVATE TRANSACTIONS

Recent Private Transactions			
Deal Date	Target	Acquirer	Deal Synopsis
21-Dec-2021	Xandr	Microsoft	Microsoft (NAS: MSFT) reached a definitive agreement to acquire the company, a subsidiary of AT&T (NYS: T), for an undisclosed amount on December 21, 2021. The acquisition strategically complements Microsoft's current advertising offerings and will help accelerate the delivery of digital advertising and retail media solutions for the open web.
19-Dec-2021	Meidd	Meitu	The company was acquired by Meitu (HKG: 01357) for CNY 79.742 million on December 19, 2021.
16-Dec-2021	Encuentra24.com	Frontier Digital Ventures	The company reached a definitive agreement to be acquired by Frontier Digital Ventures for an undisclosed amount on December 16, 2021.
14-Dec-2021	IPONWEB	Criteo	The company reached a definitive agreement to be acquired by Criteo (NAS: CRTO) for \$380 million on December 14, 2021. The purchase consideration consists of \$305 million to be paid in cash and \$75 million in Criteo's treasury shares.
13-Dec-2021	Azerion	European FinTech IPO	The company reached a definitive agreement to acquire European FinTech IPO Company 1 through a reverse merger on December 13, 2021.

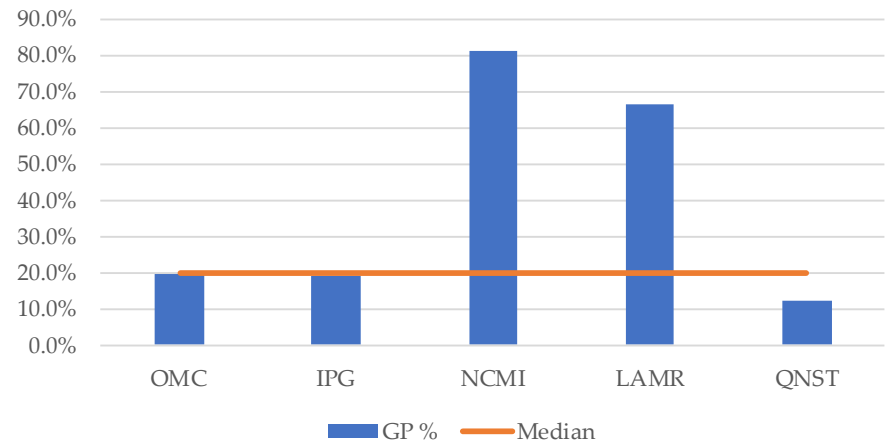


# RECENT PUBLIC TRANSACTIONS

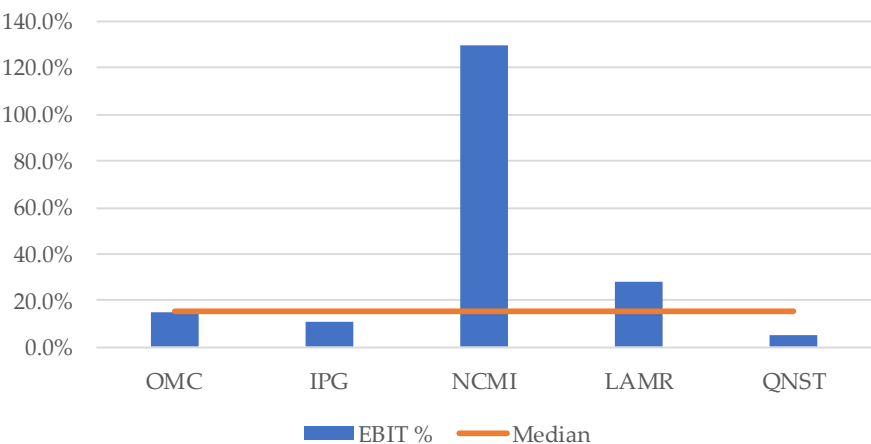
Deal Date	HQ Location	Target Companies	Investors	Deal Size
03-Dec-2021	Chevy Chase, MD	Blue Ocean Acquisition (NAS: BOCNU)		165.00
01-Dec-2021	New York, NY	Innovid (NYS: CTV)	ION Acquisition Corp 2(Gilad Shany)	251.00
30-Nov-2021	Los Angeles, CA	Versus Systems (NAS: VS)		15.00
22-Nov-2021	Encino, CA	Sabio Mobile (TSX: SBIO)	Spirit Banner II Capital	6.50
30-Sep-2021	Rockville, MD	Cella (US)	Randstad (AMS: RAND)(Jacques Broek)	131.93
14-Sep-2021	New York, NY	Pandologic	Veritone (NAS: VERI)(Chad Steelberg)	150.00
13-Sep-2021	Atlanta, GA	MailChimp	Intuit (NAS: INTU)	12,000.00
31-Aug-2021	Little Rock, AR	Vestcom	Avery Dennison (NYS: AVY)(Mitchell Butier)	1,450.00
26-Aug-2021	Jersey City, NJ	Forbes (United States)	Magnum Opus Acquisition (NYS: OPA)(Jonathan Lin)	200.00
19-Aug-2021	Pasadena, CA	SupplyFrame	Siemens (ETR: SIE)(Cedrik Neike)	700.00
02-Aug-2021	Rockville, MD	Oil Price Information Service	News Corp (NAS: NWSA)	1.15
29-Jul-2021	Portland, OR	Vacasa	TPG Pace Solutions (NYS: TPGS)(Karl Peterson)	285.00
27-Jul-2021	Woodland Hills, CA	Feedonomics	BigCommerce (NAS: BIGC)(Brent Bellm)	145.00
23-Jul-2021	Santa Monica, CA	Connexity	Taboola (NAS: TBLA)(Adam Singolda)	800.00
22-Jul-2021	New York, NY	Some Spider Studios	Bustle Digital Group(Bryan Goldberg)	150.00
16-Jul-2021	Sunnyvale, CA	Aarki	Skillz (NYS: SKLZ)(Andrew Paradise)	157.00
07-Jul-2021	San Francisco, CA	Planet	dMY Technology Group IV (NYS: DMYY)(Niccolo Masi)	345.00
07-Jul-2021	Atlanta, GA	Top of Mind Networks	Black Knight (US) (NYS: BKI)(Anthony Jabbour)	250.00
02-Jul-2021	Los Angeles, CA	NuOrder	Lightspeed POS (TSE: LSPD)(Dax Dasilva)	425.00
24-Jun-2021	New York, NY	Innovid	ION Acquisition Corp 2 (NYS: IACB)(Gilad Shany)	253.00

# OPERATING METRICS

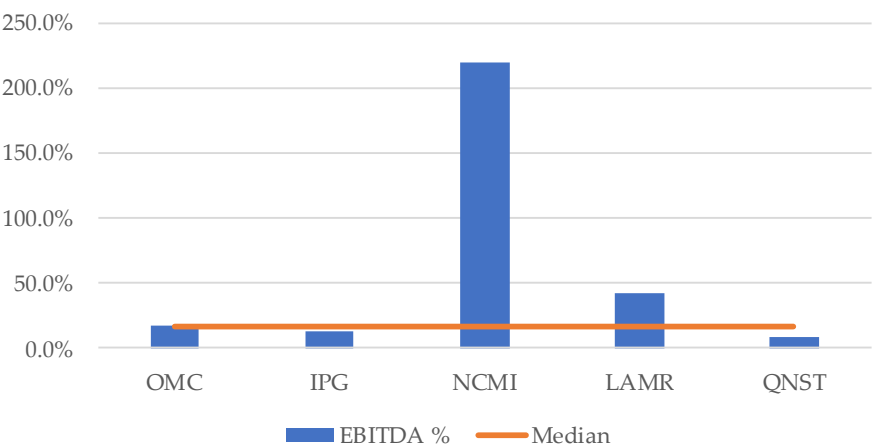
Gross Profit Margin



EBIT Margin

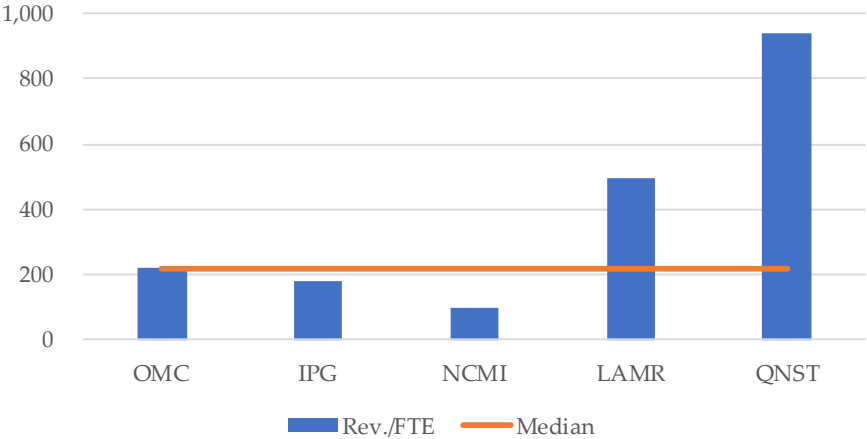


EBITDA Margin

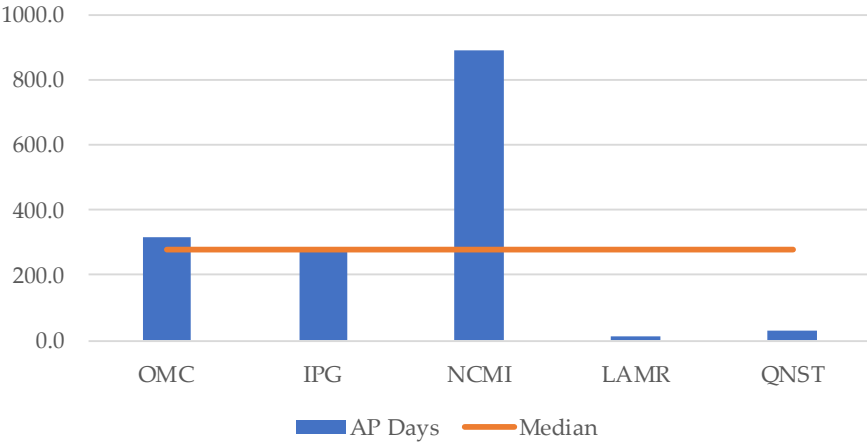


# RATIO ANALYSIS

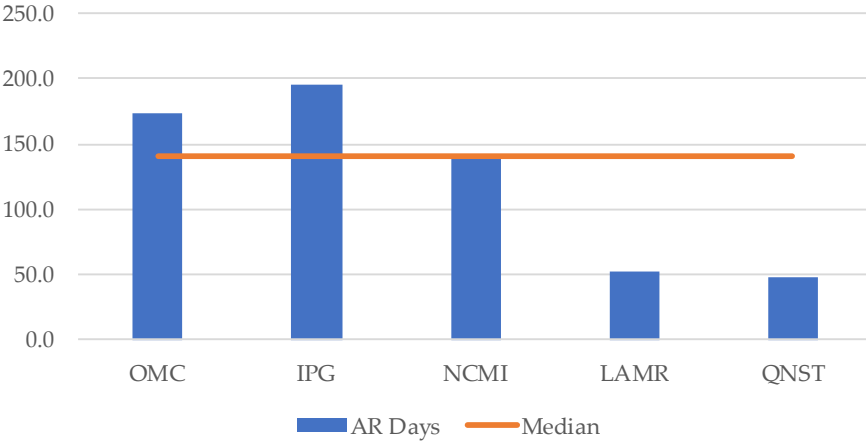
Revenue per Employee



AP Days



AR 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
OMC	Omnicom Group	77.78	16105.56	18698.46	14190.60	2403.40	6.46	14211.63	2375.50	6.44
IPG	The Interpublic Group of Companies	37.80	14663.45	17554.95	9858.60	1398.00	1.80	9427.62	1811.00	2.63
NCMI	National Cinemedia	2.77	237.61	1371.61	66.80	93.40	(1.17)	320.00	133.80	0.10
LAMR	Lamar Advertising	116.63	11764.03	15685.38	1721.35	761.43	3.70	1888.17	870.67	4.61
QNST	QuinStreet	17.57	964.97	866.29	598.83	31.19	0.23	679.18	71.04	0.88

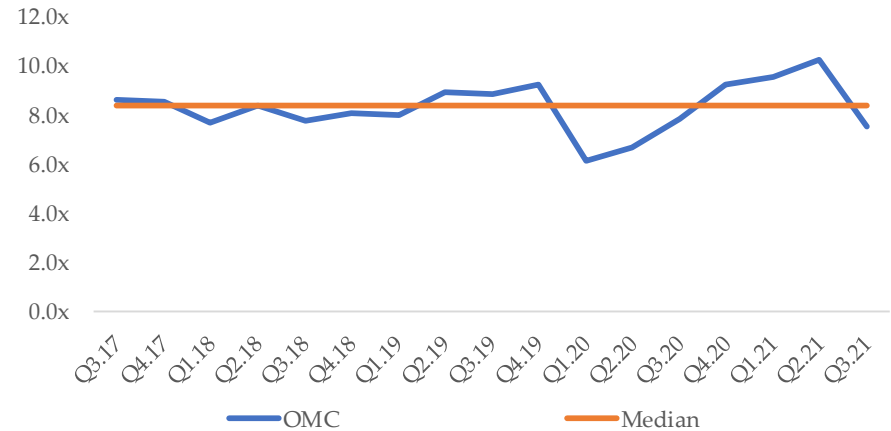
Ticker	Company	Multiples					
		TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
OMC	Omnicom Group	1.32	7.78	12.12	1.32	7.87	12.09
IPG	The Interpublic Group of Companies	1.78	12.56	21.36	1.86	9.69	14.37
NCMI	National Cinemedia	20.53	14.69		4.29	10.25	27.70
LAMR	Lamar Advertising	9.11	20.60	31.61	8.31	18.02	25.28
QNST	QuinStreet	1.45	27.78	79.86	1.28	12.19	19.97

# PUBLIC COMP

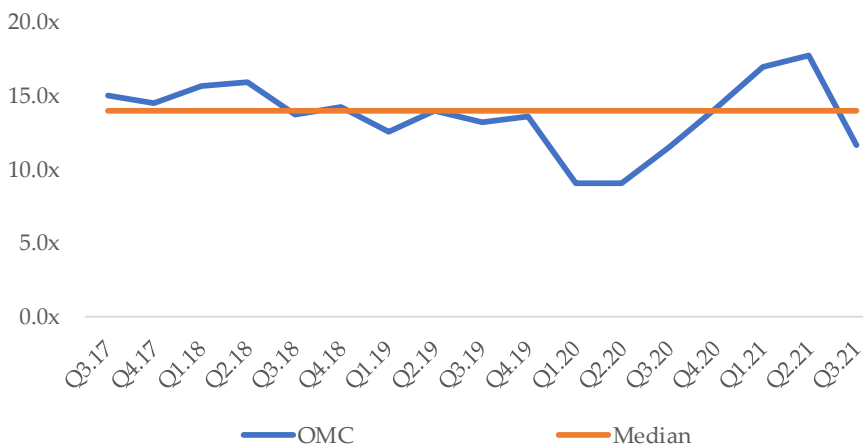
## Omnicom Group Inc. (NYS: OMC)

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.

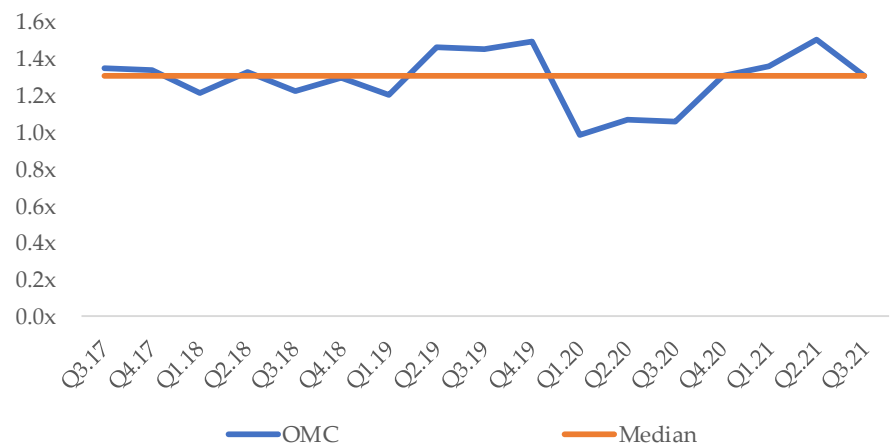
### EV/EBITDA Omnicom Group



### P/E Omnicom Group



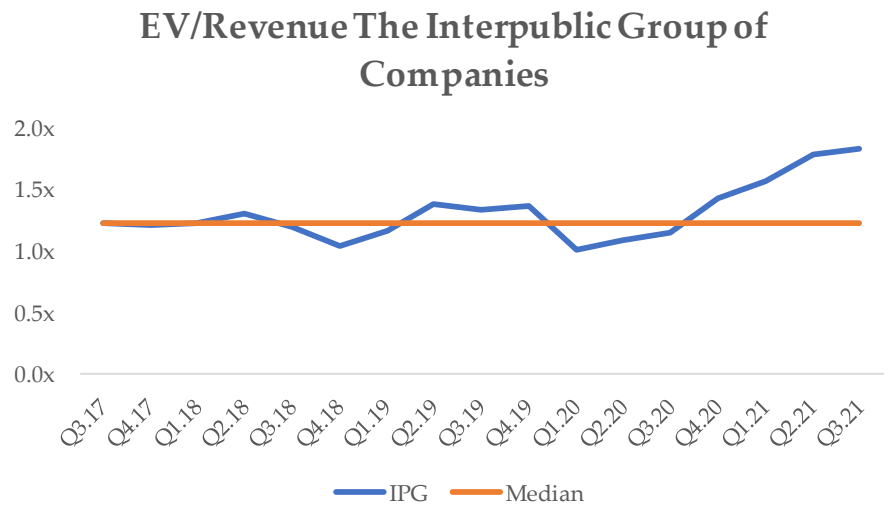
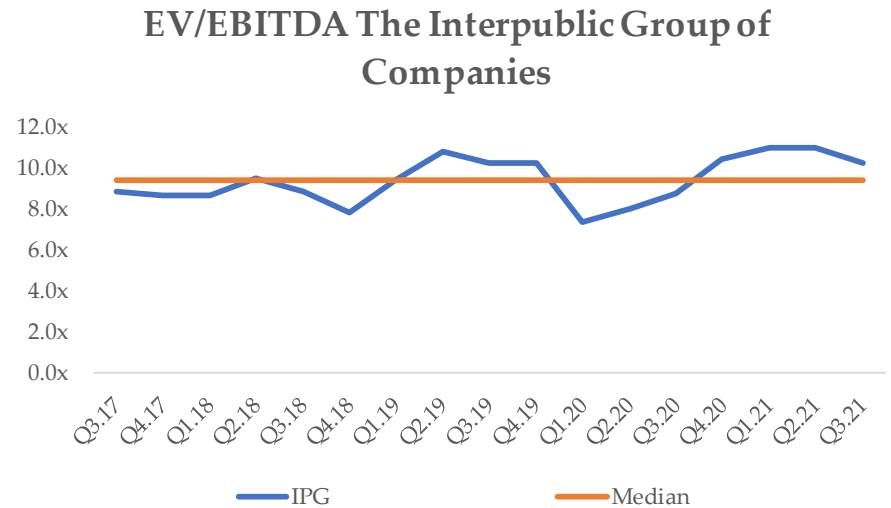
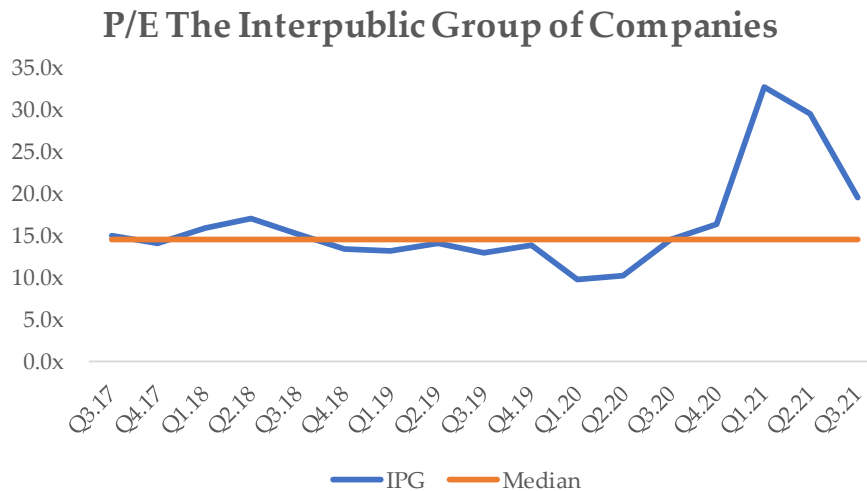
### EV/Revenue Omnicom Group



# 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.

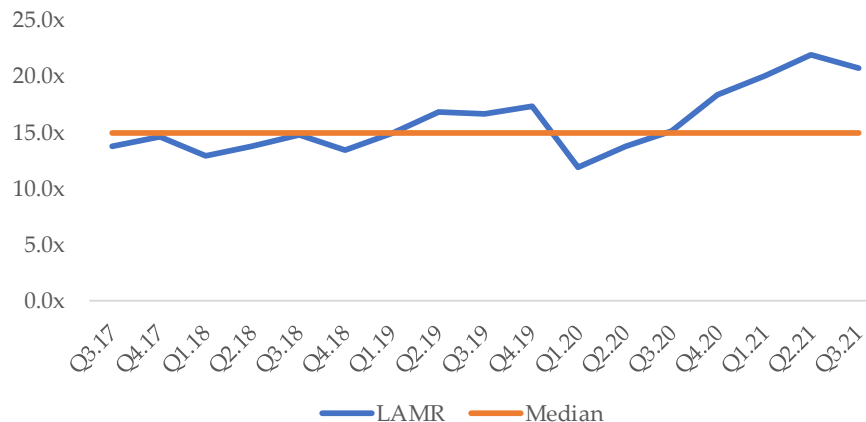


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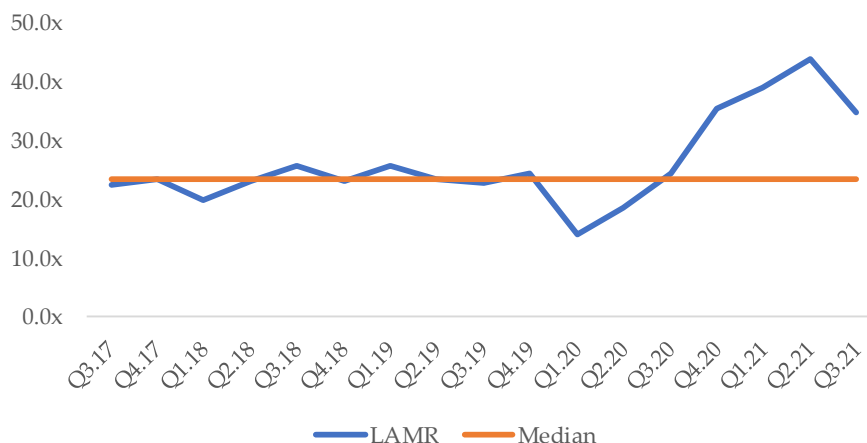
## Lamar Advertising Company (NAS: LAMR)

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.

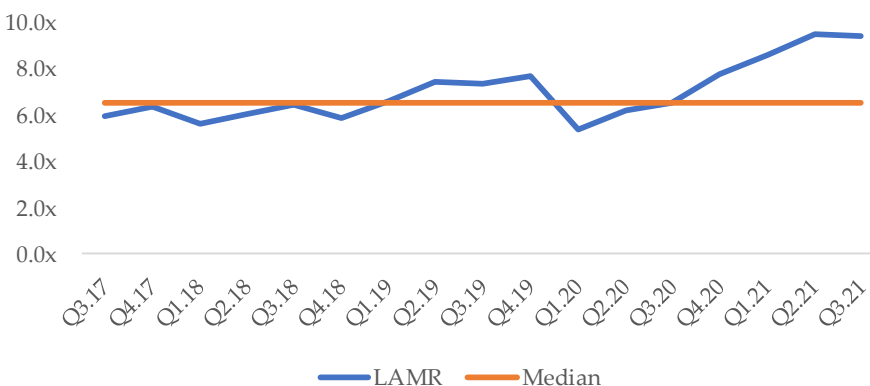
### EV/EBITDA Lamar Advertising



### P/E Lamar Advertising



### EV/Revenue Lamar Advertising



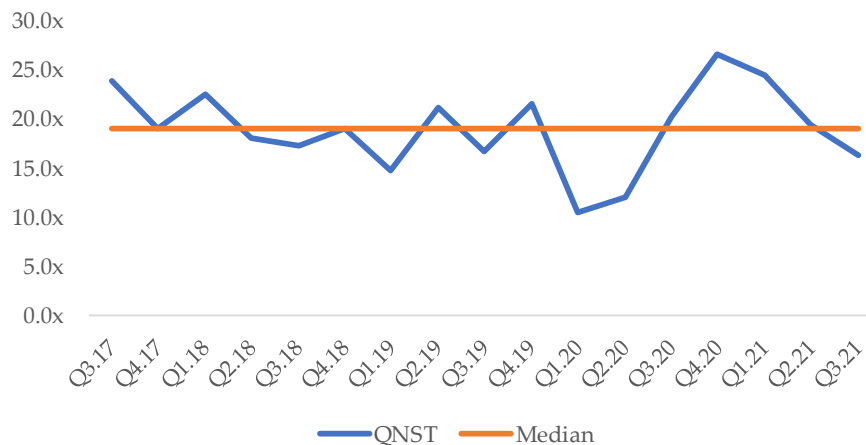


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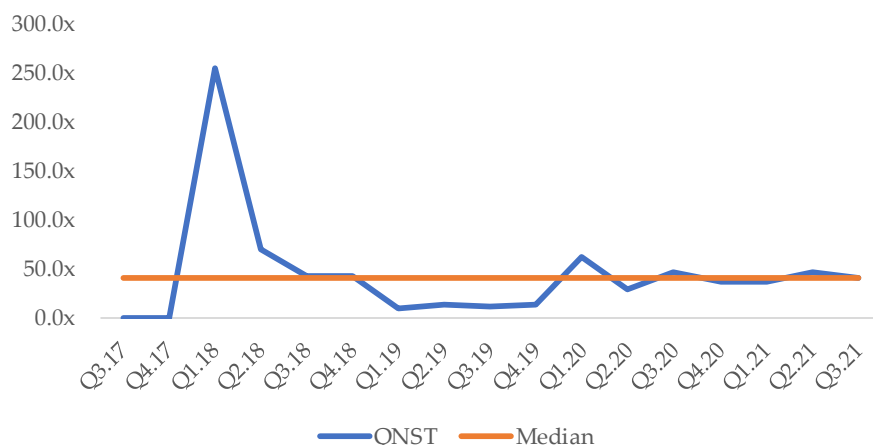
## QuinStreet (NAS: QNST)

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.

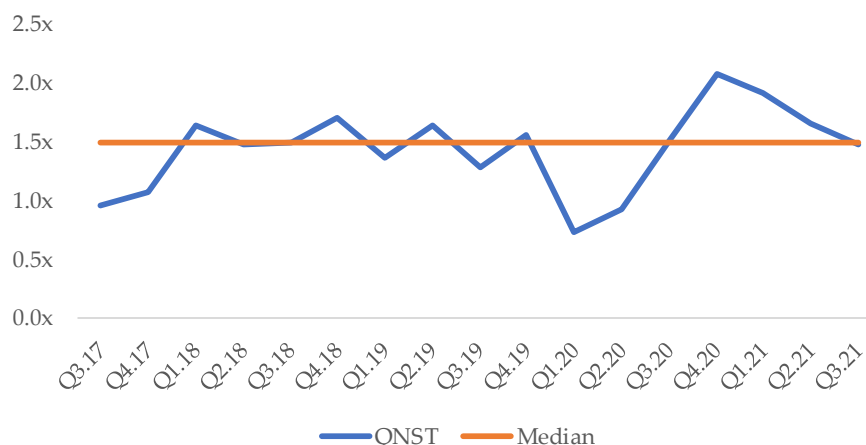
### EV/EBITDA QuinStreet



### P/E QuinStreet



### EV/Revenue 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 firms 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

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## **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 operating in the south. He graduated from the University of North Carolina 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 with a BS in Finance.