



Marketing and Advertising Industry Report Q1 2022



ADVERTISING INDUSTRY KEY TAKEAWAYS

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

2022 MARKET OUTLOOK

2022 Market Outlook:

- Heading into 2022, The overall Ad market forecasts remains strong at 9 – 10%. However, we see downside risk risks with business confidence reducing and higher input costs causing marketing budgets to decrease in size.
- We expect agency margins to erode in 2022 following a year with great margin performance. Competition for talent is likely to lead **higher-than-usual wage inflation**.
- Agencies looking for organic growth should be aware that much of the overall **Ad market growth has been digitally driven**.
 - Over 85% of Ad market growth has come from digital.
 - Companies that can incorporate a digital strategy to compliment their traditional strategy, will fair better in the coming years.
- **Input cost Inflation** will impact several sectors. While the impact has not been felt by advertisers' P&L's, we cannot say with confidence that they will be spared in 2022.
- **Slowdown in ad spending to also prompt softer organic growth for agencies**. A slowdown in organic growth could lead to an uptick in acquisitions as larger companies look for other methods of satisfying growth demands. Consolidation within the industry has led to 30% of global ad revenue to be split up amongst the Big Five companies (Dentsu, Publicis Groupe, IPG, OMC, and WPP).

Upside Risks:

- Acceleration in economic activity
- Increase in inflation – a tailwind for ad revenues
- Decrease in travel – Higher pitching costs

Downside Risks :

- Economic growth slowdown
- Wage Inflation.
- Client account loss

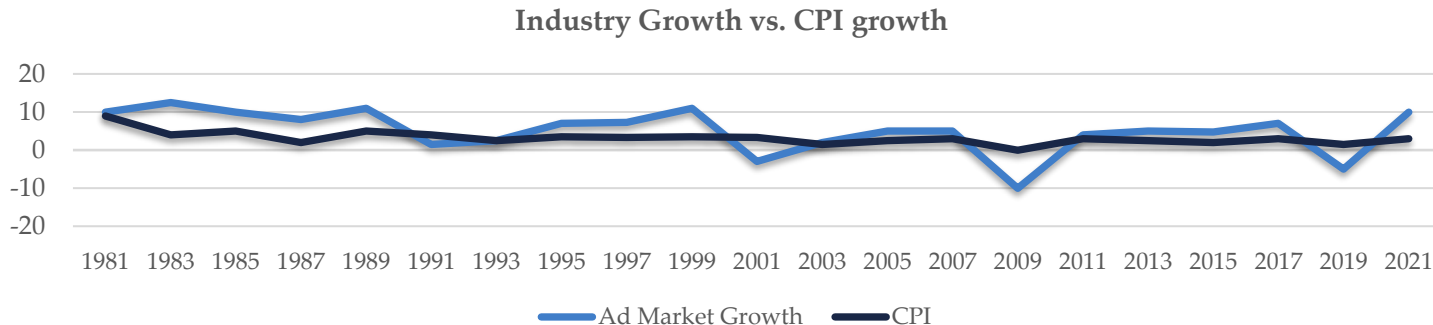
Supply Chain disruptions

Disruptions related to semiconductor shortages continue to hit important sectors like Automobile. New car production declined by 22% in December and 2.4% overall for the year. Agencies that are in business with dealer shops should be aware that a decline in production would also translate to a decline in advertising budgets.

INFLATIONARY IMPACTS

❑ No clear link between inflation & ad spending.

- We are currently in uncharted territory for this century, Inflation being at or above 5% has not occurred in developed economies for the past 30-40 years.
- Ad market and agencies are structured much differently than they were the last time we experienced this inflation. Much of this structural improvements have come at the hands of digital integration.
 - ◆ In 1981 (10% inflation) the industry performed well, however when looking at the trends in the past 40 years there is no indication that an increase in inflation will result in an increase in advertising budgets.



❑ Margin Pressure

- Agencies have historically been sensitive to increases in staff wages. Many companies rely on a sizeable staff to get the output necessary to generate targeted revenues

❑ Mitigants to Inflationary Effects on Wages

- The 2020 and 2021 years have seen unprecedented amounts of turnover amongst their staff. Companies such as Publicis have made policies to allow their workforce to spend up to 6 weeks/year to work anywhere globally. As companies have become further integrated with Software, policies like this are simple to execute. A hybrid-like-model allows for companies to both keep staff while reducing the cost of training new staff.

INDUSTRY AT A GLANCE

Key Statistics



\$59.2bn Revenue

- Annual Growth 2016 – 2021 3.0%
- Annual Growth 2021 – 2026 2.4%



83,645 Businesses

- Annual Growth 2016 – 2021 5.1%
- Annual Growth 2021 – 2026 3.7%



250k Employment

- Annual Growth 2021 – 2026 2.3%



\$3.4bn Profit

- Annual Growth 2016 – 2021 -2.8%



5.0% Profit Margin

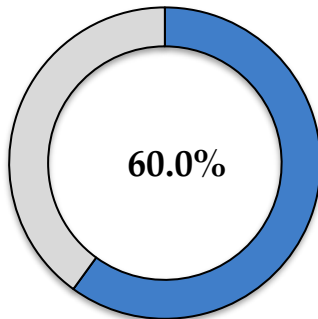
- Annual Growth 2016 – 2021 -1.9pp



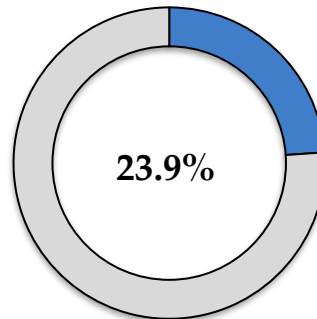
\$20.3bn Wages

- Annual Growth 2016 – 2021 0.2%
- Annual Growth 2021 – 2026 2.4%

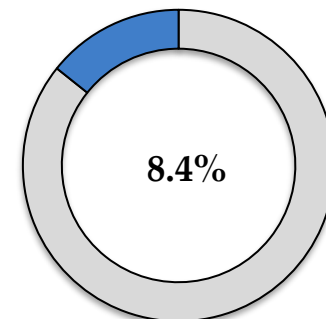
Key Segments



Bundled creative services



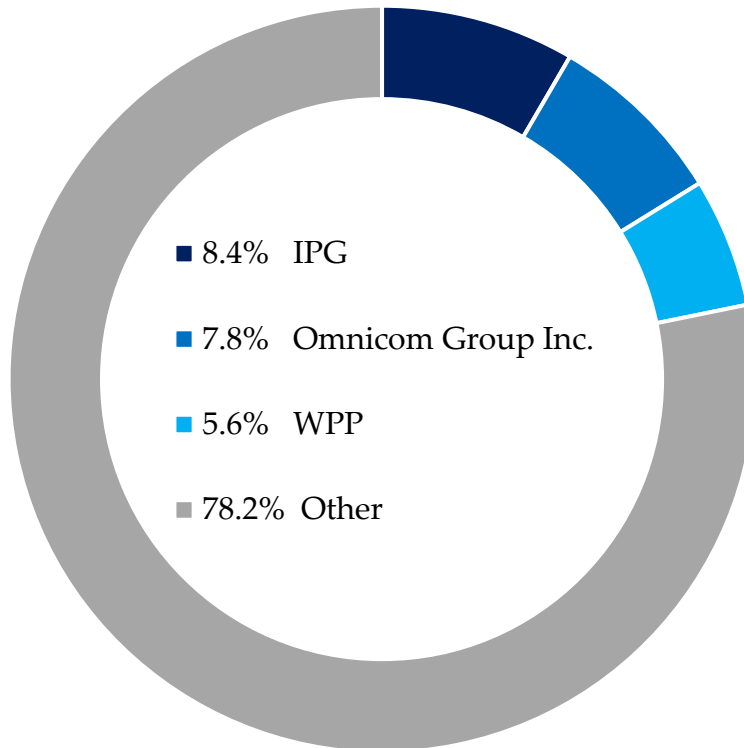
Creative services



Media buying / Planning 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

O

OPPORTUNITIES

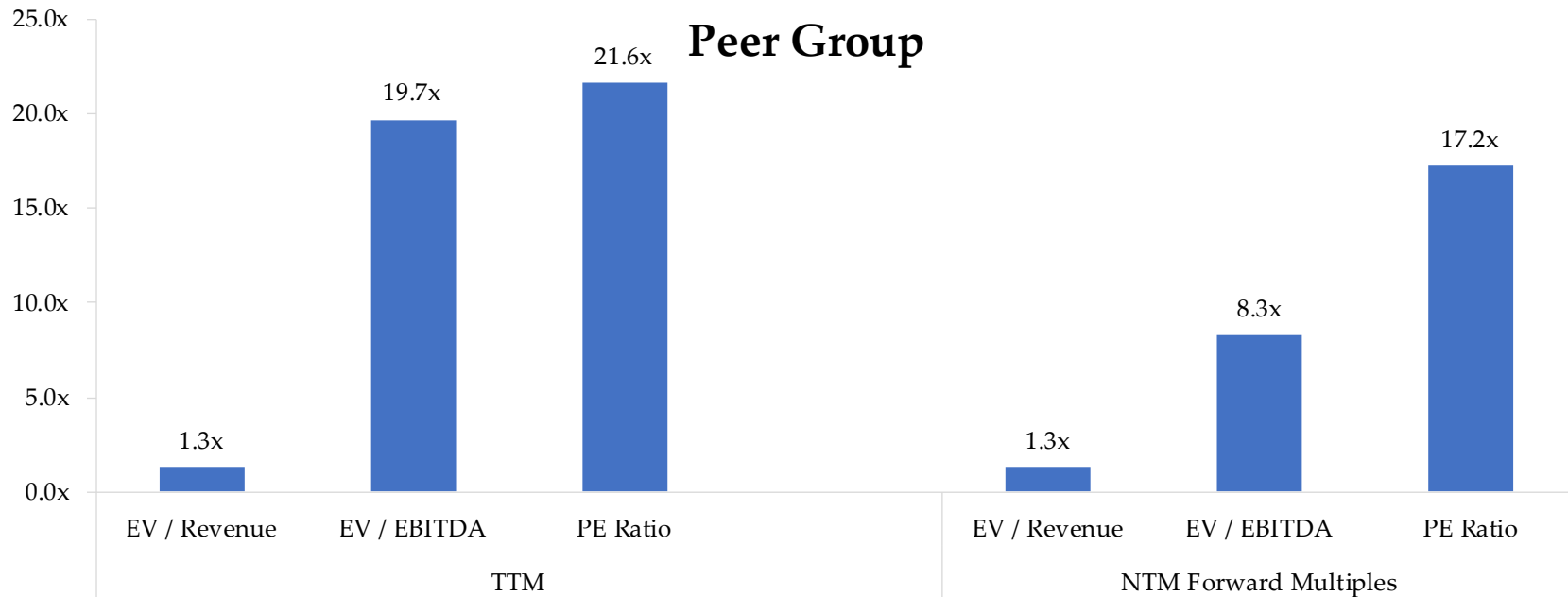
- High Revenue Growth (2021-2026)
- Investor Uncertainty

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THREATS

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

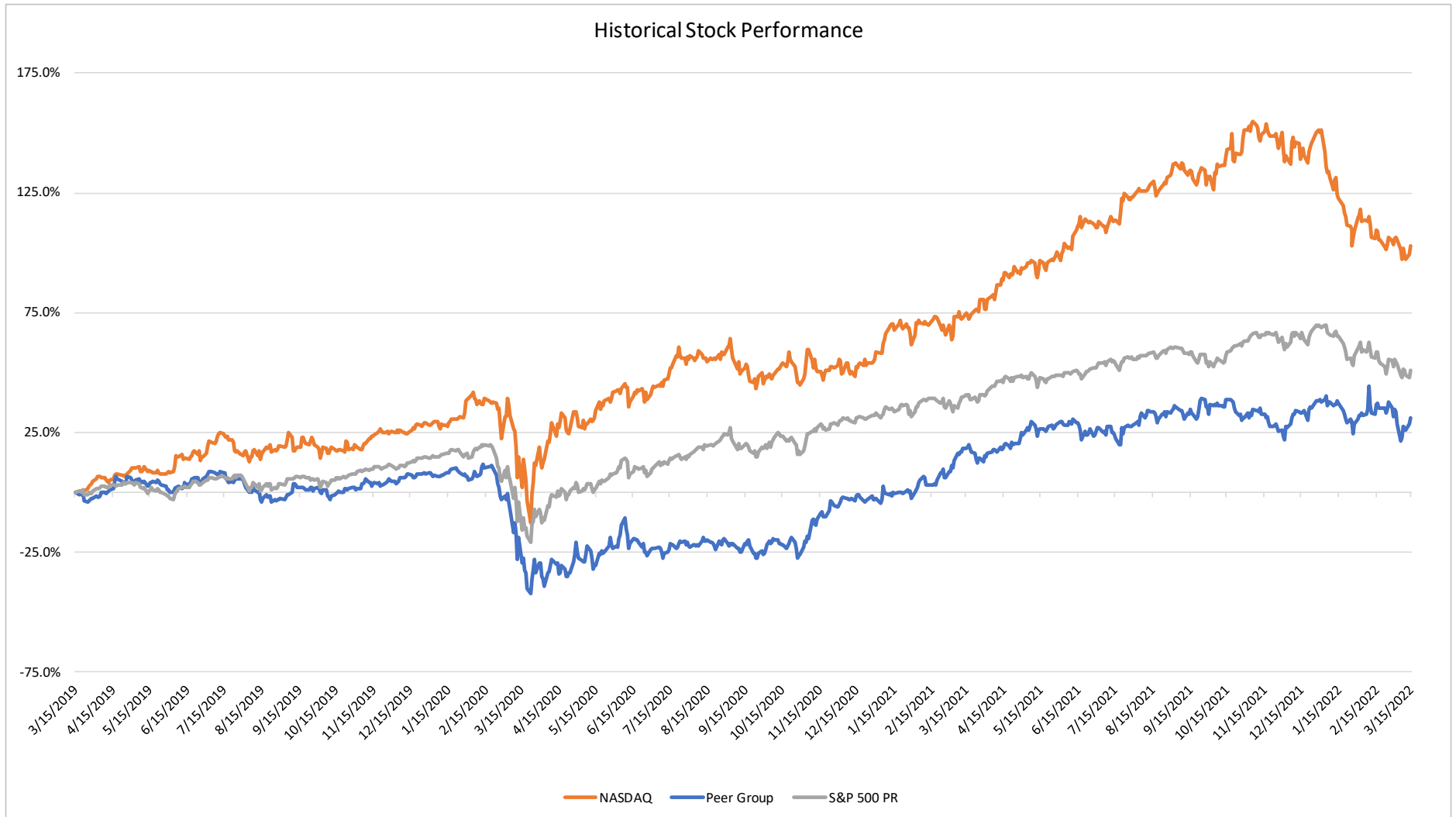
PUBLIC COMPARABLES



PUBLIC COMPARABLES

\$ in Millions Ticker	Omnicom Group	Interpublic Group	Lamar Advertising	QuinStreet	
	OMC	IPG	LAMR	QNST	
Total Revenue	\$13,962	\$9,442	\$1,631	\$578	
Gross Profit	2,732	1,776	1,085	71	
EBIT	2,145	999	456	31	
Net Income	\$1,347	\$747	\$329	\$24	
EBITDA (Normalized)	2,370	1,697	746	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, FLNT, LAMR, QNST

RECENT PRIVATE TRANSACTIONS

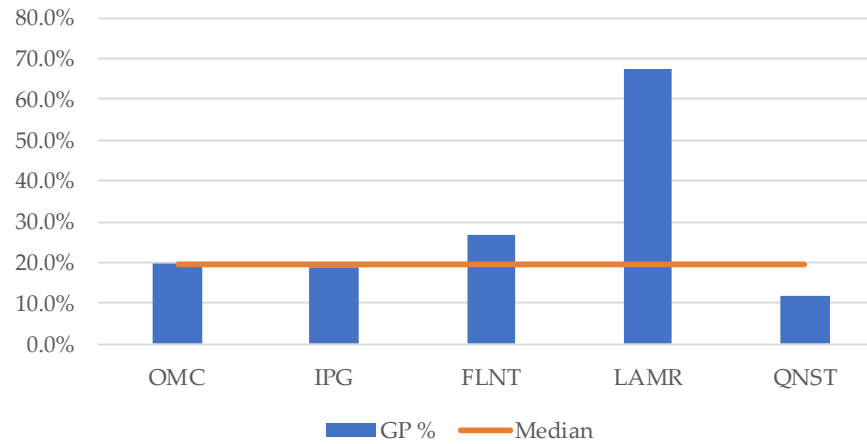
Recent Private Transactions			
Deal Date	Target	Acquirer	Deal Synopsis
24-Feb-2022	Converge Direct	Troika Media Group	Coverage Direct reached a definitive agreement to be acquired by Troika Media Group (NAS: TRKA) for \$125 million on February 24, 2022. The transaction is expected to close on or before March 15, 2022. The acquisition will significantly expand Troika's presence in the digital media and performance marketing sector.
18-Feb-2022	Vidillion	Sabio Acquisition	Vidillion reached a definitive agreement to be acquired by Sabio Acquisition for \$3 million on February 18, 2022. The acquisition is expected to further expand Sabio's access to premium CTV inventory and boost gross margins. The closing of the transaction, which is targeted to take place on or around the end of the first quarter of 2022.
26-Jan-2022	Kinvolved	PowerSchool Group	Kinvolved reached an agreement to be acquired by PowerSchool Group on January 26, 2022 for \$23.5 million. The combination of PowerSchool Group and the company will allow schools and districts to centralize communication tools and attendance data with leading teaching and learning solutions to help address chronic absenteeism and strengthen engagement between home and school.
25-Jan-2022	Apester	Sivota	Apester reached a definitive agreement to be acquired by Sivota (LON: SIV) for \$12 million on January 25, 2022.
18-Jan-2022	Datawrkz	Nazara	Datawrkz reached a definitive agreement to be acquired by Nazara for INR 600 million on January 18, 2022. The acquisition will help the acquirer to enhance in-house capabilities for optimizing its customer acquisition spends as well as enhance yields on ad monetization of its large consumer base.

RECENT PUBLIC TRANSACTIONS

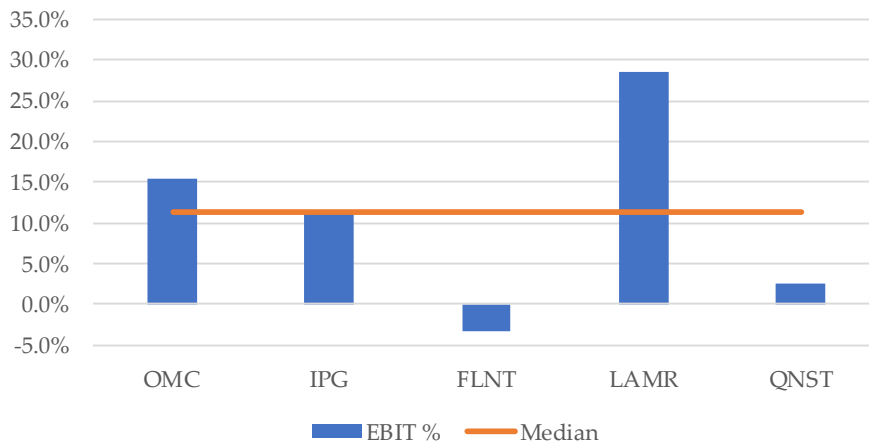
Deal Date	HQ Location	Target Companies	Investors	Deal Size
07-Mar-2022	New York, NY	The Engine Group	Next Fifteen Communications (LON: NFC)	50.00
24-Feb-2022	New York, NY	Converge Direct	Troika Media Group (NAS: TRKA)(Robert Machinist)	125.00
16-Feb-2022	Sarasota, FL	AdRizer	Vinco Ventures (NAS: BBIG)(Lisa King)	108.00
27-Jan-2022	Los Angeles, CA	System1	Trebia Acquisition(Frank Martire)	518.00
10-Jan-2022	San Francisco, CA	Tapjoy	ironSource (NYS: IS)(Tomer Zeev)	400.00
09-Jan-2022	Teaneck, NJ	HyperPointe	XpresSpa Group (NAS: XSPA)(Douglas Satzman)	14.00
07-Jan-2022	Minneapolis, MN	FourCubed	SharpLink Gaming (NAS: SBET)(Rob Phythian)	8.15
03-Jan-2022	San Francisco, CA	MoPub	AppLovin (NAS: APP)(Adam Foroughi)	1,050.00
08-Dec-2021	Tysons, VA	Cvent (NAS: CVT)	Dragoneer Growth Opportunities II(Marc Stad)	326.00
03-Dec-2021	Chevy Chase, MD	Blue Ocean Acquisition (NAS: BOCNU)		165.00
02-Dec-2021	Fort Worth, TX	Sector 5 Digital	The Glimpse Group (NAS: VRAR)(Lyron Bentovim)	27.00
01-Dec-2021	New York, NY	Innovid (NYS: CTV)	ION Acquisition Corp 2(Gilad Shany)	251.00
01-Dec-2021	New York, NY	Sard Verbinnen	Finsbury Glover Hering(Alexander Geiser)	150.00
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

OPERATING METRICS

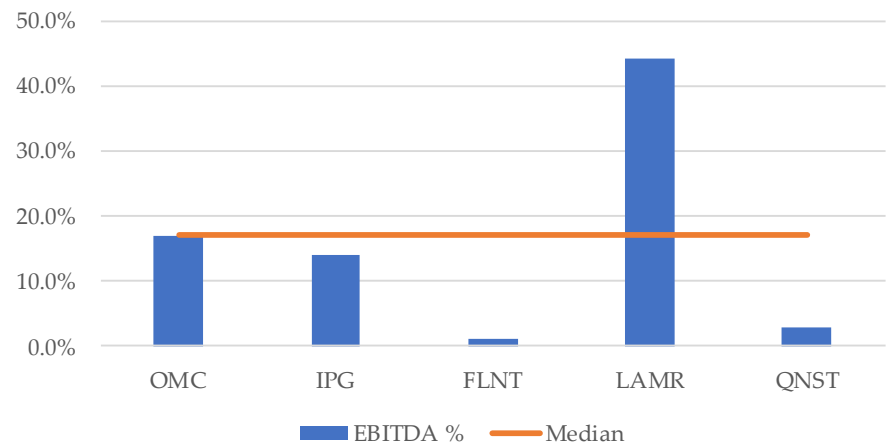
Gross Profit Margin



EBIT Margin

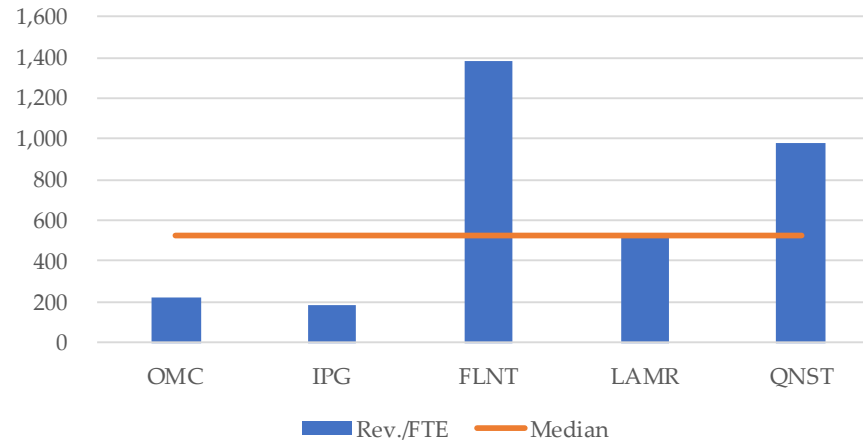


EBITDA Margin

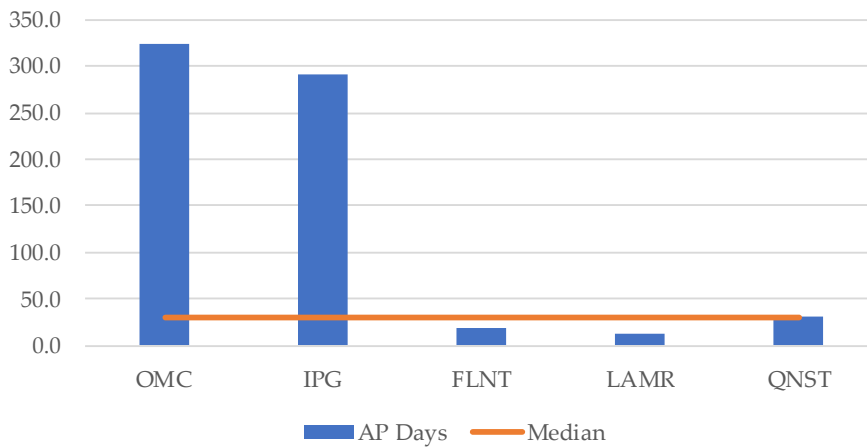


RATIO ANALYSIS

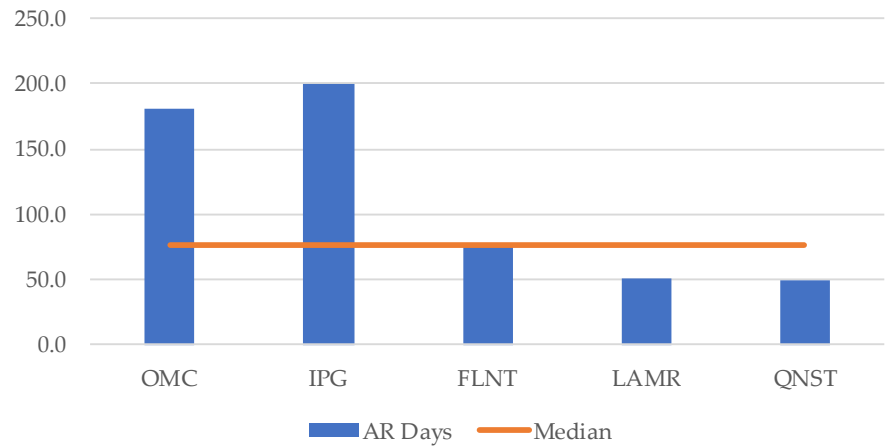
Revenue per Employee



AP Days



AR Days



VALUATION TRENDS

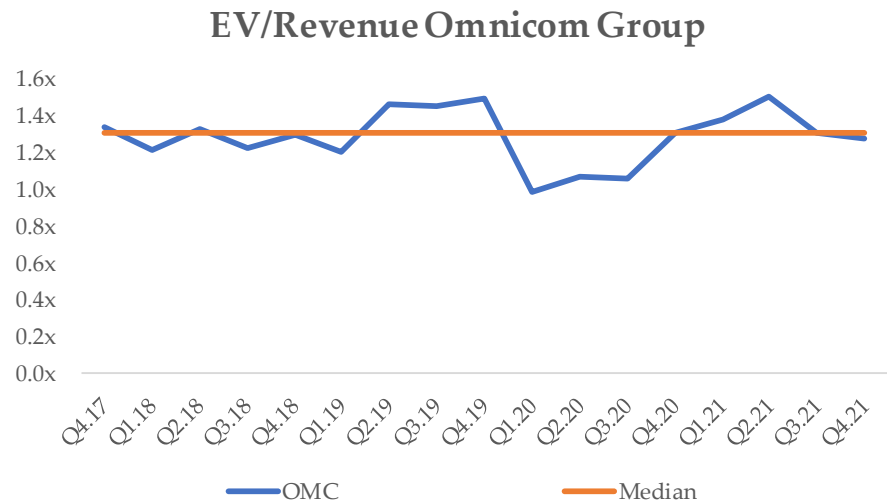
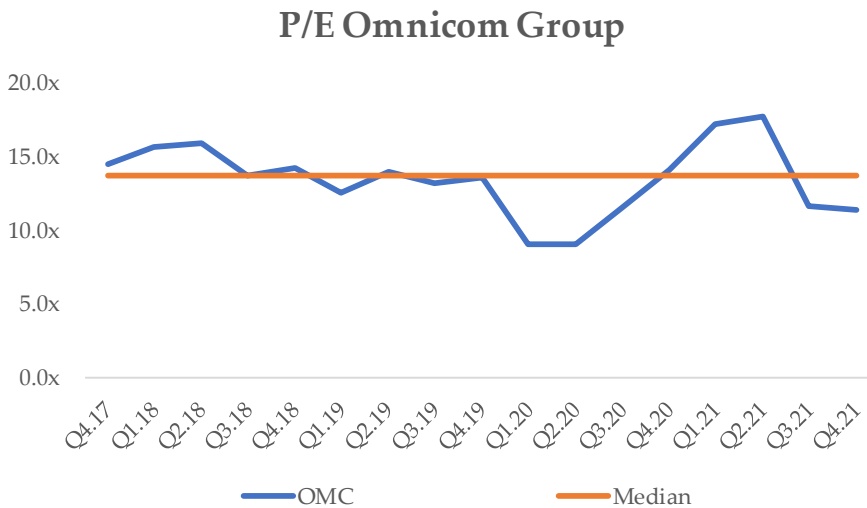
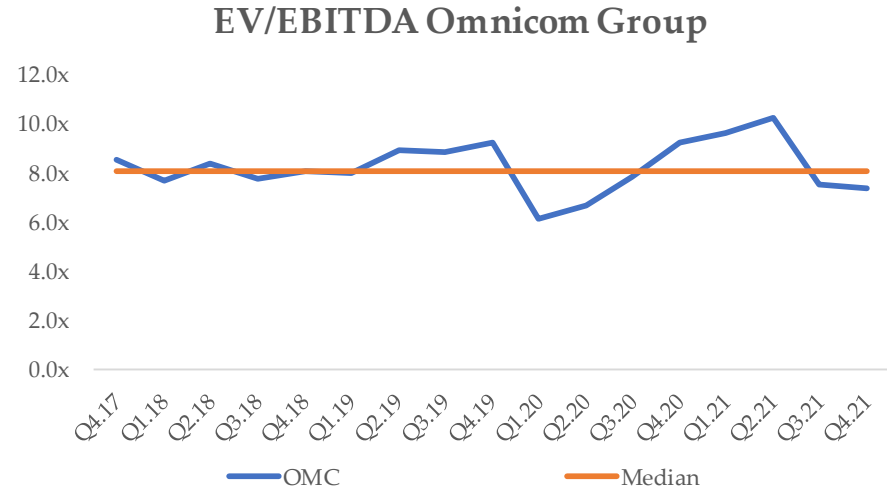
Ticker	Company	Fundamentals								
		Close Price	Market Cap	TTM			NTM Estimates			
				Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
OMC	Omnicom Group	80.73	16625.35	18804.75	14289.40	2376.20	6.57	14518.20	2433.00	6.71
IPG	The Interpublic Group of Companies	34.84	13461.61	15069.01	10240.70	1649.30	2.42	9504.30	1845.50	2.70
NCMI	National Cinemedia	2.53	202.03	1341.23	114.60	(18.10)	(0.61)	299.65	122.10	0.02
LAMR	Lamar Advertising	109.81	10926.33	15052.39	1787.40	774.26	3.83	1944.22	900.22	4.73
QNST	QuinStreet	11.61	626.82	518.16	589.19	24.04	0.11	643.76	46.54	0.58

Ticker	Company	Multiples					
		TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
OMC	Omnicom Group	1.32	7.91	12.36	1.30	7.73	12.03
IPG	The Interpublic Group of Companies	1.47	9.14	14.58	1.59	8.17	12.90
NCMI	National Cinemedia	11.70			4.48	10.98	126.50
LAMR	Lamar Advertising	8.42	19.44	28.67	7.74	16.72	23.20
QNST	QuinStreet	0.88	21.55	116.10	0.80	11.13	20.02

Omnicom Group

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 is based in New York, New York.



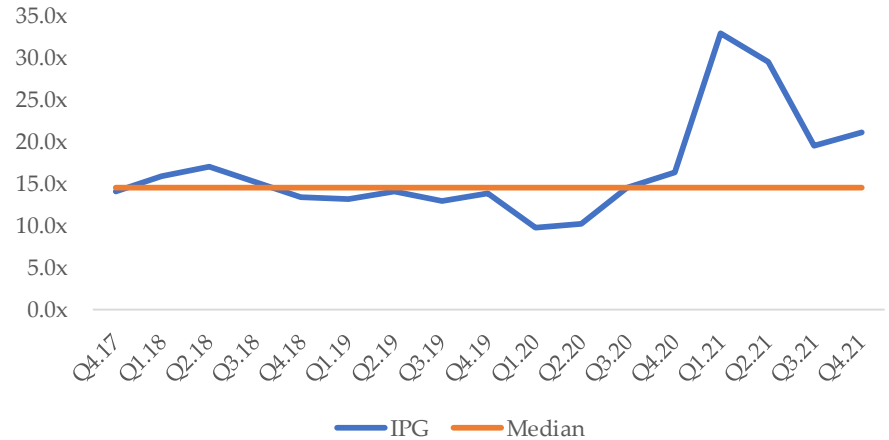
PUBLIC COMP POTENTIAL TEMPLATE



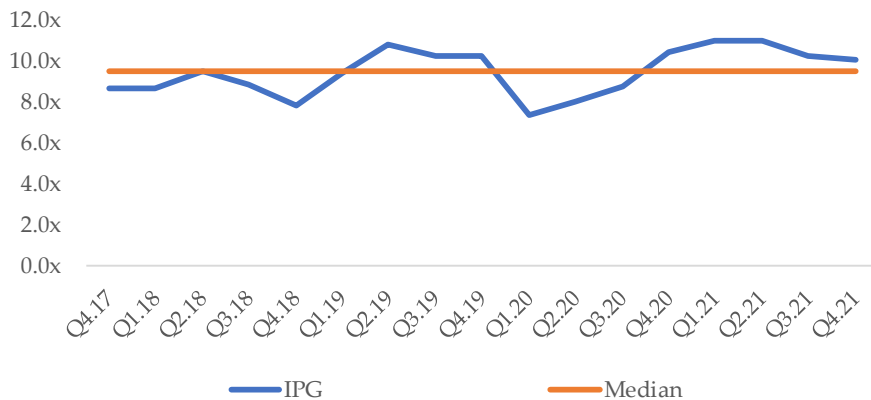
The Interpublic Group of Companies, Inc. (NYSE: IPG)

IPG provides advertising and marketing services worldwide. The company offers consumer advertising, digital marketing, communications planning and media buying, public relations, and specialized communications disciplines, as well as data management services.

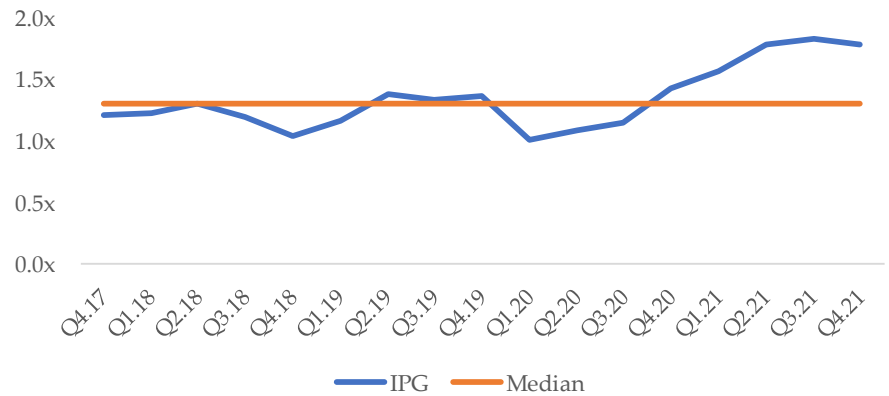
P/E The Interpublic Group of Companies



EV/EBITDA The Interpublic Group of Companies



EV/Revenue The Interpublic Group of Companies

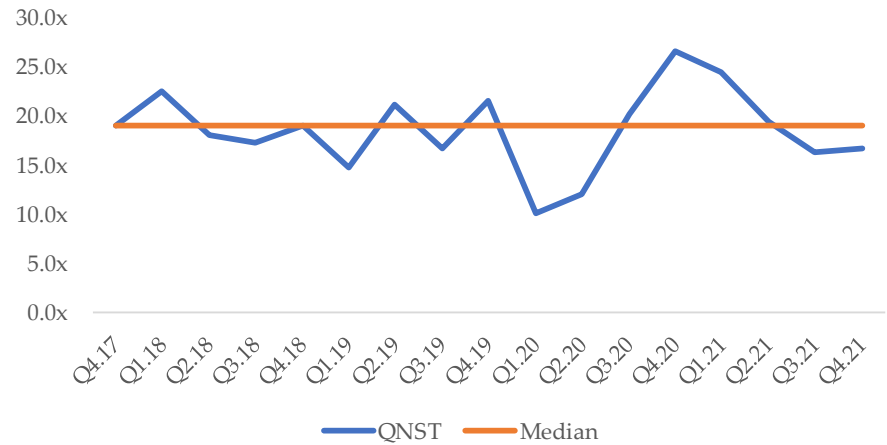


QuinStreet

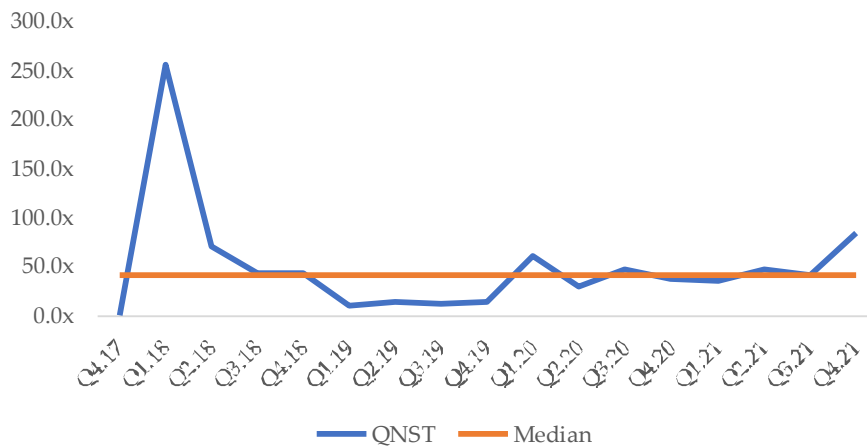
QuinStreet, Inc., (NAS: QNST)

QuinStreet is 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 3rd-party publishers

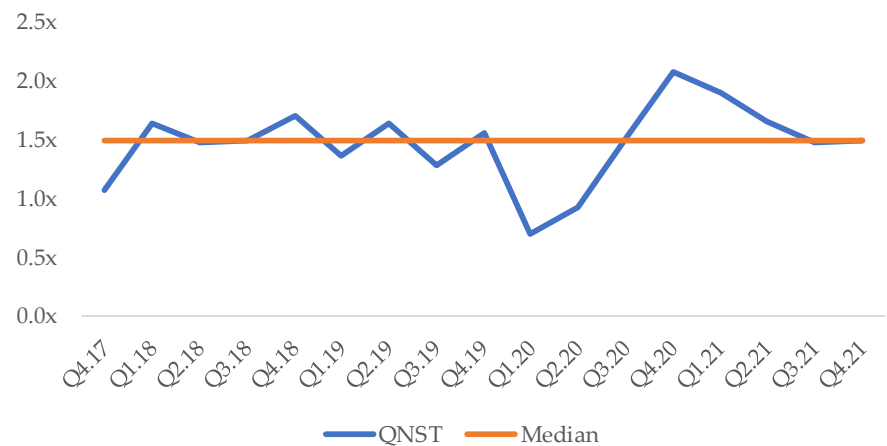
EV/EBITDA QuinStreet



P/E QuinStreet



EV/Revenue QuinStreet



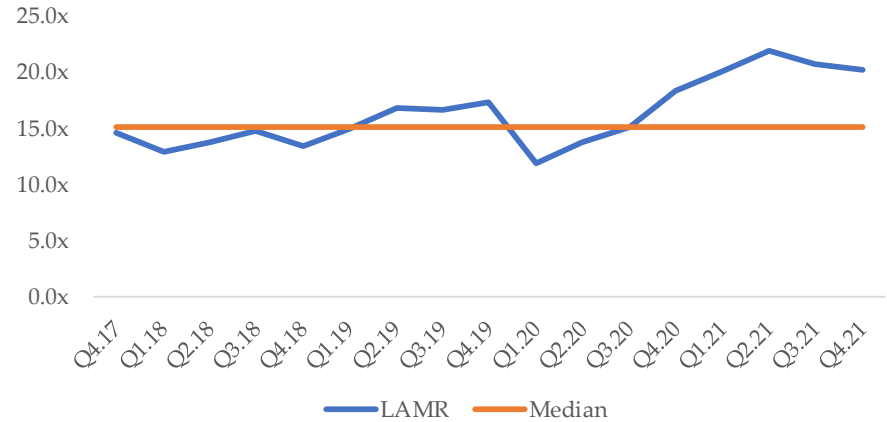
PUBLIC COMP



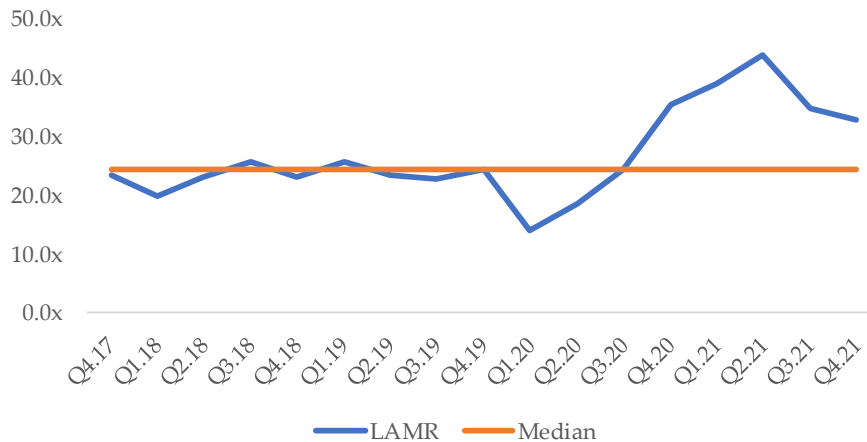
Lamar Advertising Company (NAS: LAMR)

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. The company is headquartered in Baton Rouge, LA.

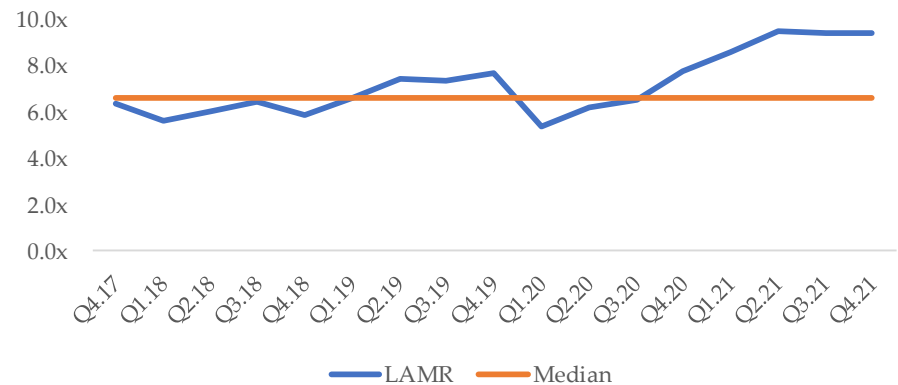
EV/EBITDA Lamar Advertising



P/E Lamar Advertising



EV/Revenue Lamar Advertising



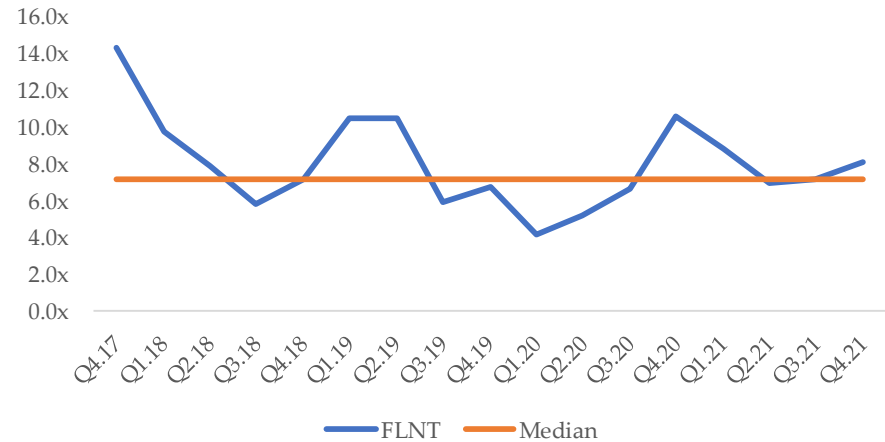
PUBLIC COMP



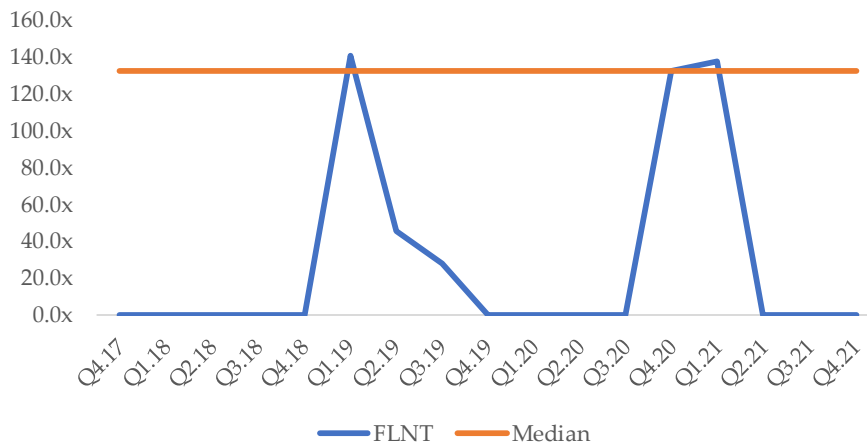
Fluent, Inc. (NAS: FLNT)

Fluent Inc is a data-driven digital marketing services company. It performs customer acquisition services by operating digital marketing campaigns, through which it connects its advertiser clients with consumers they are seeking to reach.

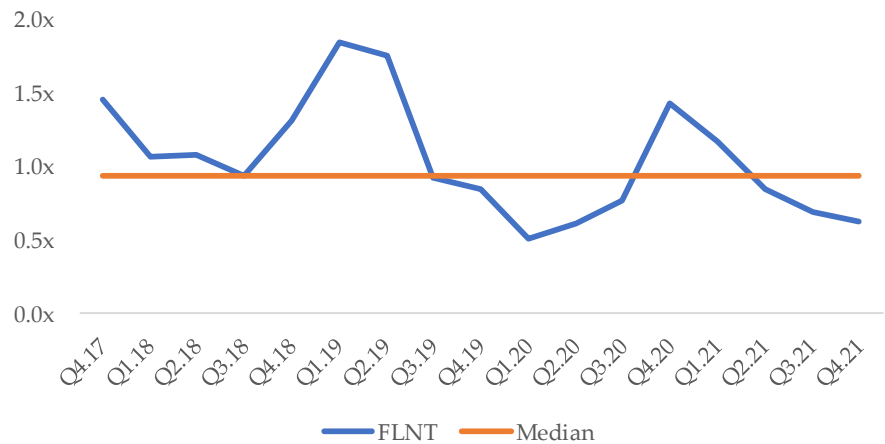
EV/EBITDA Fluent (Commercial Services)



P/E Fluent (Commercial Services)



EV/Revenue Fluent (Commercial Services)



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.

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.

Kyle Burnett **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors, Mr. Burnett worked in Brokerage and Business development with Odyssey Specialized Logistics, a logistics firm located in Chicago, IL. He graduated from Northwestern University with a degree in Political Science and Economics.