

# Marketing and Advertising Industry Report July 2022








# ADVERTISING INDUSTRY KEY TAKEAWAYS

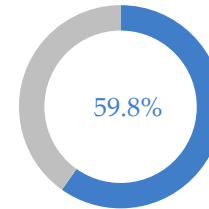
- ❑ **Advertising revenues** are expected to increase at an annualized rate of 4.8% over the next four years, reaching \$69.2 billion in 2025. As companies adapt to benefits from the growth of digital platforms, clients will seek integrated marketing solutions that combine multiple media outlets, resulting 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

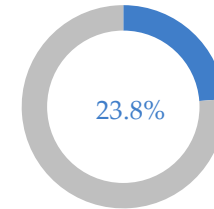
## Key Statistics

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**\$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%

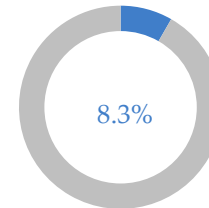
## Segments



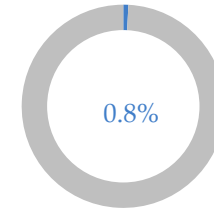
Bundled creative services



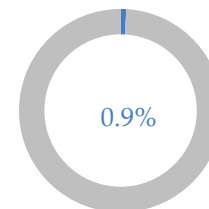
Creative services



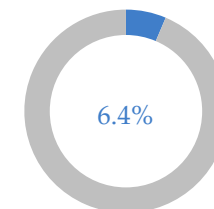
Media buying/planning services



Public relations services



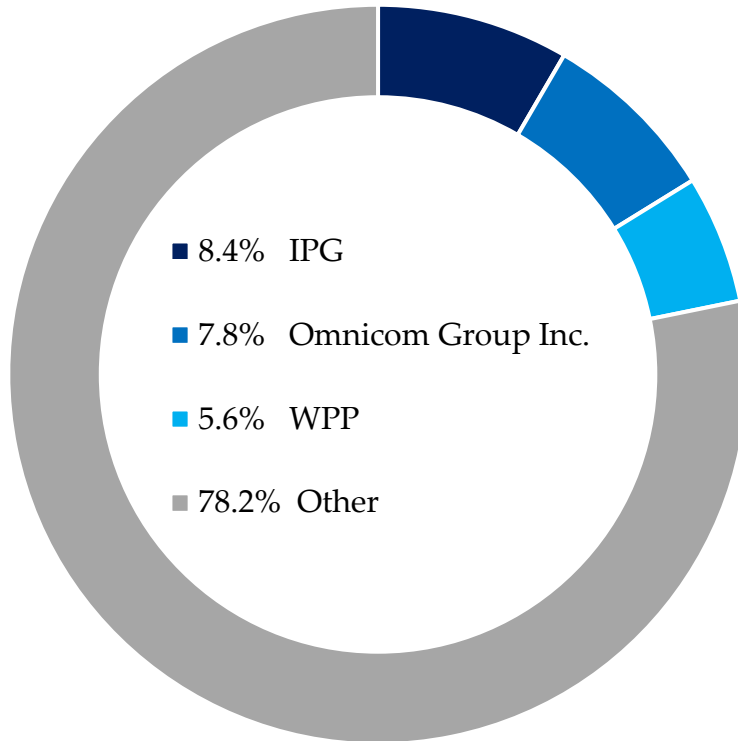
Sales promotion services



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

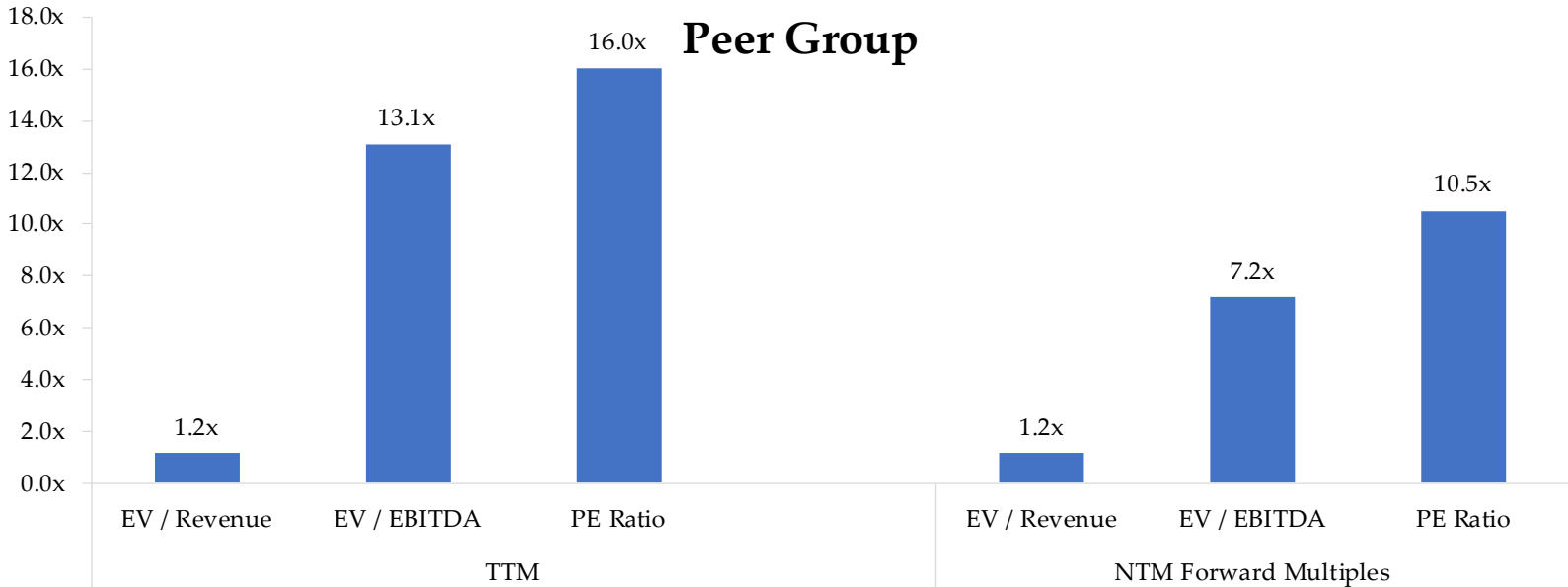
- High Revenue Growth (2021-2026)
- Investor Uncertainty

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### THREATS

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

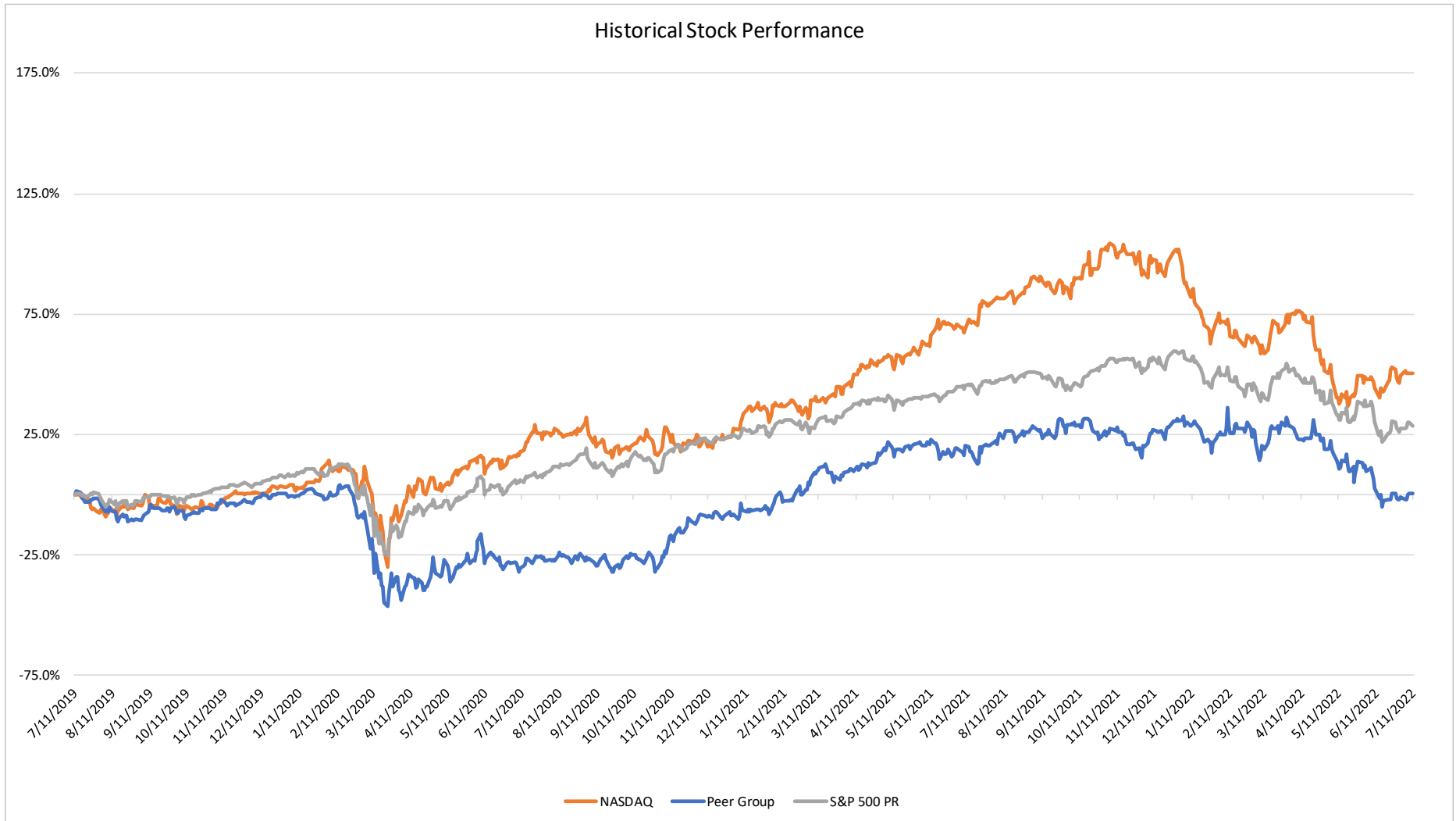
# PUBLIC COMPARABLES



# PUBLIC COMPARABLES

\$ in Millions	Omnicom Group	Interpublic Group	Lamar Advertising	QuinStreet	
Ticker	OMC	IPG	LAMR	QNST	
Total Revenue	\$14,289	\$10,241	\$1,787	\$589	
Gross Profit	2,790	1,853	1,211	67	
EBIT	2,164	1,366	503	8	
Net Income	\$1,408	\$953	\$388	\$6	
EBITDA (Normalized)	2,402	1,823	827	49	
Total Debt	6,647	4,799	4,226	6	
EV	16,743	13,457	13,370	473	
Employees	71,700	55,600	3,350	614	
<b>Ratio Analysis</b>					<b>Median</b>
Revenue/Employee	\$199,294	\$184,185	\$533,553	\$959,591	\$533,553
EV/Revenue	1.17x	1.28x	7.16x	0.81x	1.17x
Debt/EBITDA	2.78x	3.09x	5.25x	0.35x	3.09x
EV/EBITDA (Normalized)	7.36x	9.66x	20.14x	16.68x	9.66x
Market Cap/EBITDA	6.48x	10.55x	16.13x	31.64x	16.13x
Market Cap (mm)	13,198	11,023	9,164	577	
Close Price	64.46	28.18	91.38	10.61	
52 Week Low	61.31	26.36	83.96	8.28	
52 Week High	91.61	39.98	124.32	21.00	
Gross Margin	0.20	0.18	0.68	0.11	0.20
EBIT	15.1%	13.3%	28.1%	1.3%	13.3%
EBITDA	0.17	0.16	0.43	0.04	0.16
Acct. Receivable Days	191	209	51	49	74
Inventory Days	36.87	NM	NM	NM	36.87
Acct. Payable Days	343	313	15	29	29
Revenue Growth	0.08	0.13	0.14	0.13	0.13

# 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
27-Jun-2022	Trader Interactive	Carsales.com	The company reached a definitive agreement to be acquired by Carsales.com (ASX: CAR) for AUD 1.17 billion on June 27, 2022.
23-Jun-2022	Methinks	Nexon	The company was acquired by Nexon through a \$11.54 million LBO on June 23, 2022.
09-May-2022	Troops	Salesforce.com	The company reached a definitive agreement to be acquired by Salesforce.com (NYS: CRM) for an undisclosed amount on May 9, 2022.
21-Apr-2022	MediaMath	Searchlight Capital Partners	The company was acquired by Searchlight Capital Partners and existing investors through a \$150 million LBO on April 21, 2022. As a result, the company was recapitalised. The additional capital will enhance the company's platform, bringing renewed focus and financial resources.
04-Apr-2022	Pipeline CRM	SaaS.group	The company was acquired by SaaS.group through an LBO on April 4, 2022 for an undisclosed amount.

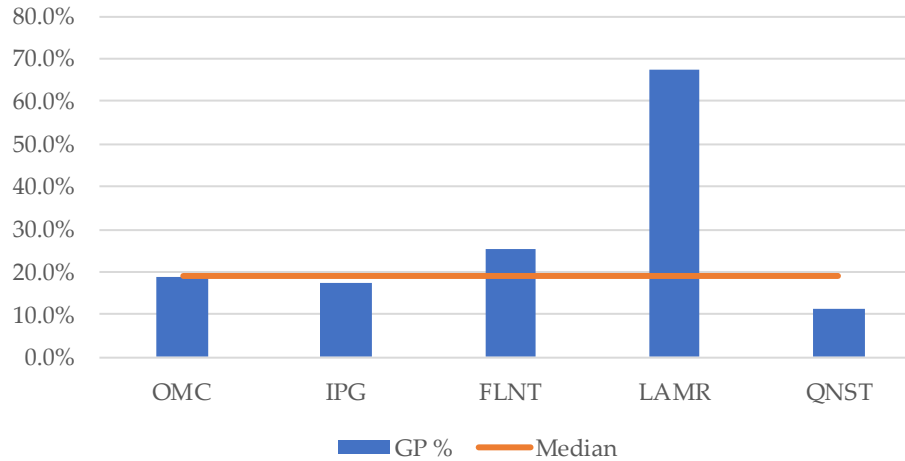


# RECENT PUBLIC TRANSACTIONS

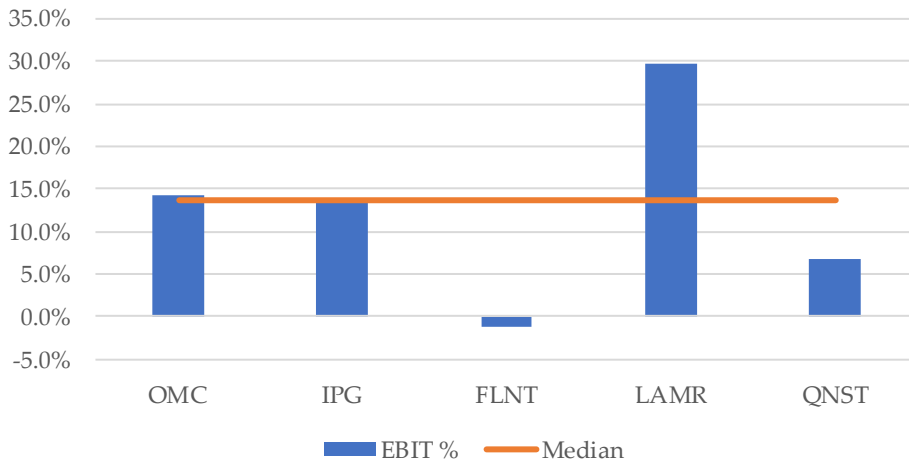
Deal Date	HQ Location	Target Companies	Investors	Deal Size
22-Jun-2022	Fort Lauderdale, FL	Ocean Bio-Chem	OneWater Marine	125.00
15-Jun-2022	Boca Raton, FL	Springbig	Tuatara Capital Acquisition	200.00
13-Jun-2022	Indianapolis, IN	Duke Realty	Prologis	26,000.00
13-Jun-2022	Ames, IA	Renewable Energy Group	Chevron	3,150.00
13-Jun-2022	Smyrna, TN	Steel Connect	Steel Partners Holdings	81.00
09-Jun-2022	Muscatine, IA	Iowa First Bancshares	MidWestOne Bank	48.00
01-Jun-2022	New York, NY	Union Bank	First National Bank	117.50
30-May-2022	Portland, ME	Covetrus	Clayton, Dubilier & Rice	3,034.00
26-May-2022	Beachwood, OH	Middlefield Banc	Liberty Bancshares	70.00
23-May-2022	San Francisco, CA	Zynga	Take-Two Interactive Software	12,700.00
04-May-2022	Jacksonville, FL	Black Knight	Intercontinental Exchange	13,100.00
30-Apr-2022	Palo Alto, CA	BlueCity Holdings	Metaclass Management	60.00
16-Apr-2022	Seattle, WA	Jones Soda		91.80
11-Apr-2022	Austin, TX	SailPoint Technologies	Thoma Bravo	6,900.00
05-Apr-2022	Boston, MA	Tufin	Turn/River Capital	570.00

# OPERATING METRICS

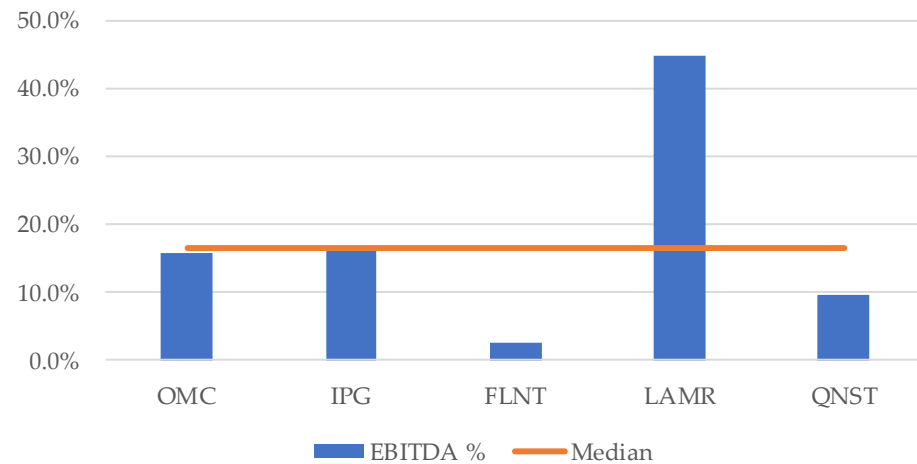
## Gross Profit Margin



## EBIT Margin

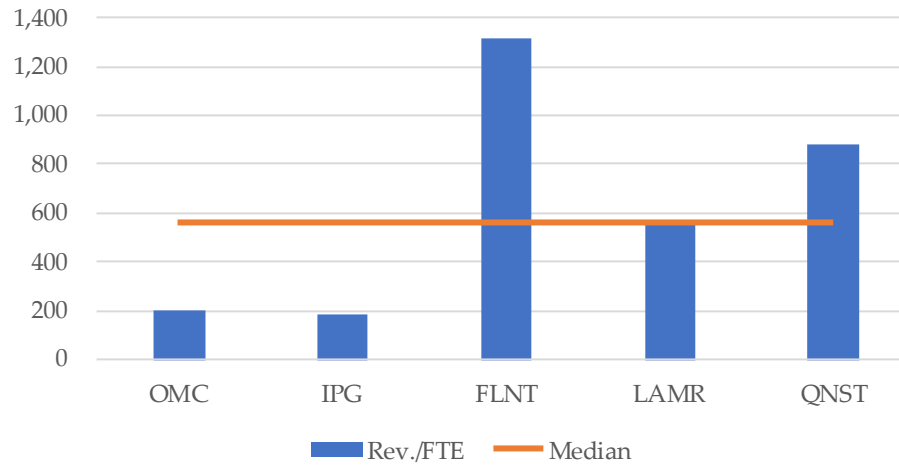


## EBITDA Margin

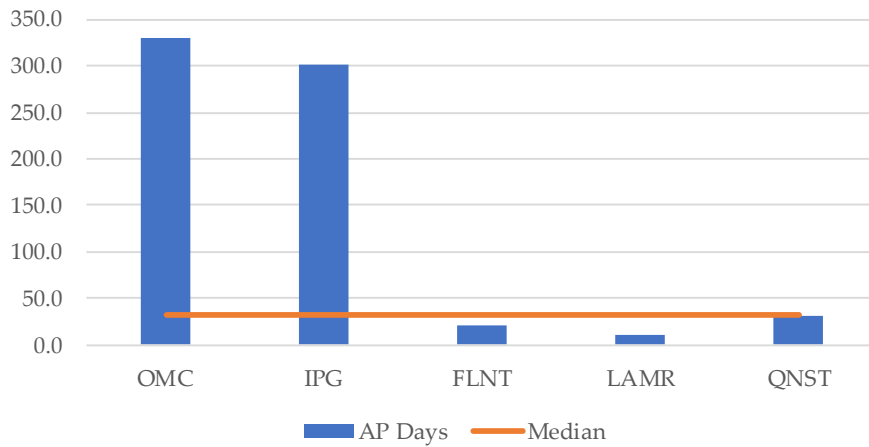


# RATIO ANALYSIS

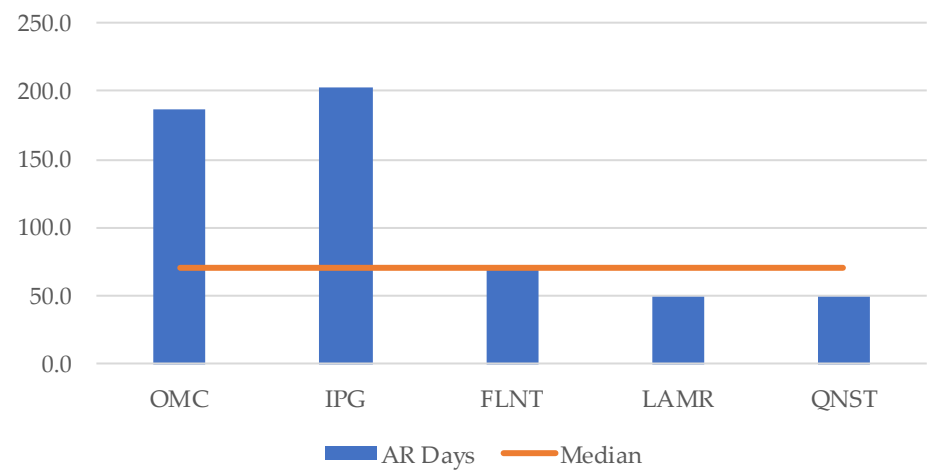
## Revenue per Employee



## 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	64.46	13197.75	16742.65	14272.70	2265.70	6.07	14428.25	2398.50	6.50
IPG	The Interpublic Group of Companies	28.18	11022.60	13457.00	10552.20	1728.30	2.59	9583.73	1878.50	2.68
FLNT	Fluent (Commercial Services)	1.19	96.42	119.06	348.14	9.10	(0.06)	402.65	31.77	0.18
LAMR	Lamar Advertising	91.38	9163.83	13369.88	1867.91	836.02	4.36	2030.85	949.00	5.04
QNST	QuinStreet	10.61	577.12	472.77	586.80	19.29	0.06	633.97	44.88	0.51

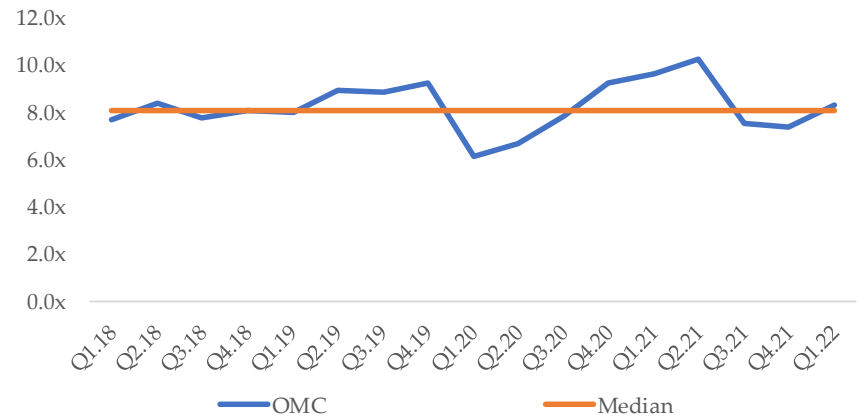
Ticker	Company	Multiples					
		TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
OMC	Omnicom Group	1.17	7.39	10.69	1.16	6.98	9.91
IPG	The Interpublic Group of Companies	1.28	7.79	11.01	1.40	7.16	10.53
FLNT	Fluent (Commercial Services)	0.34	13.09		0.30	3.75	6.80
LAMR	Lamar Advertising	7.16	15.99	21.01	6.58	14.09	18.11
QNST	QuinStreet	0.81	24.50	212.20	0.75	10.53	20.80

# PUBLIC COMP

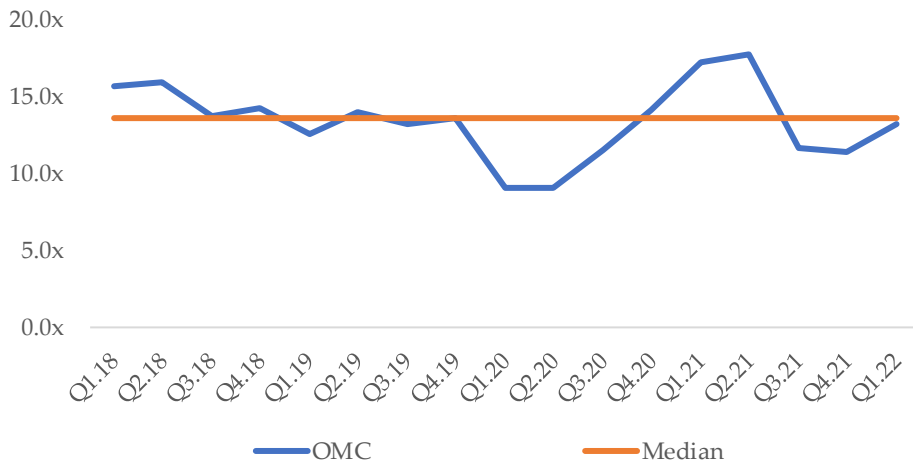
## Omnicom Group Inc. (NYS: OMC)

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.

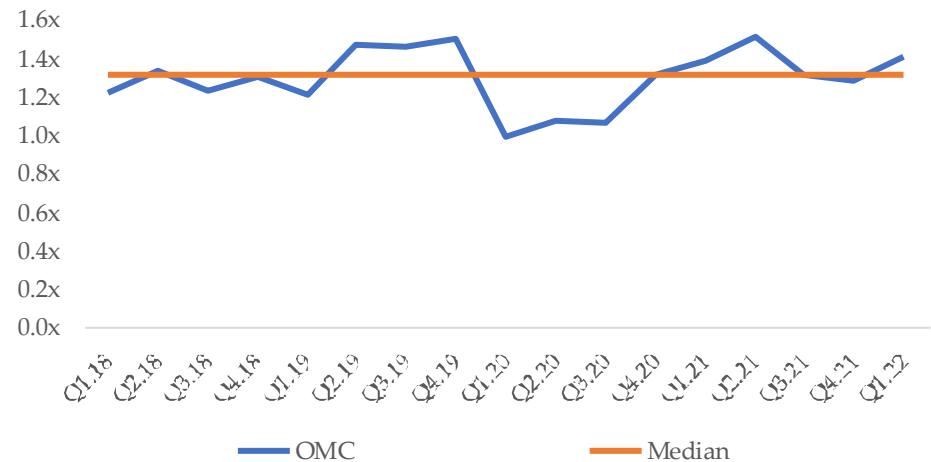
### EV/EBITDA Omnicom Group



### P/E Omnicom Group



### EV/Revenue Omnicom Group

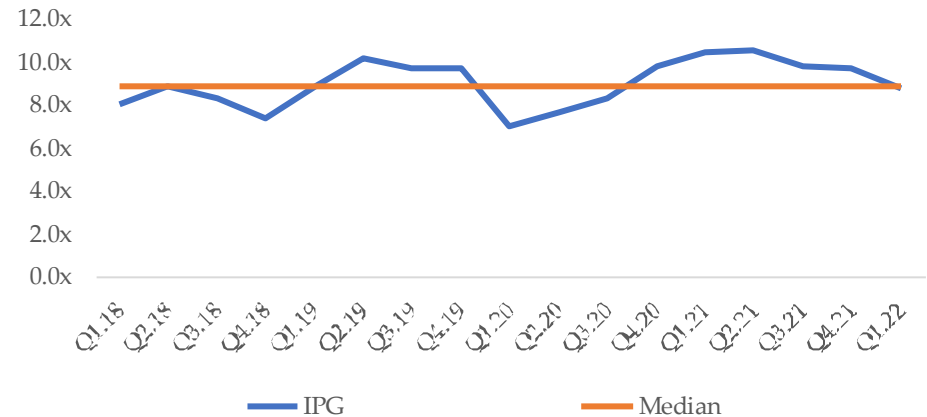


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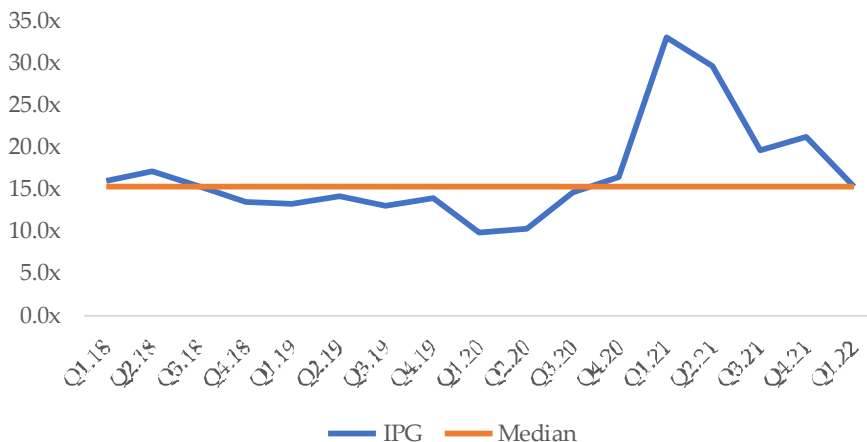
## The Interpublic Group of Companies, Inc. (NYS: IPG)

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.

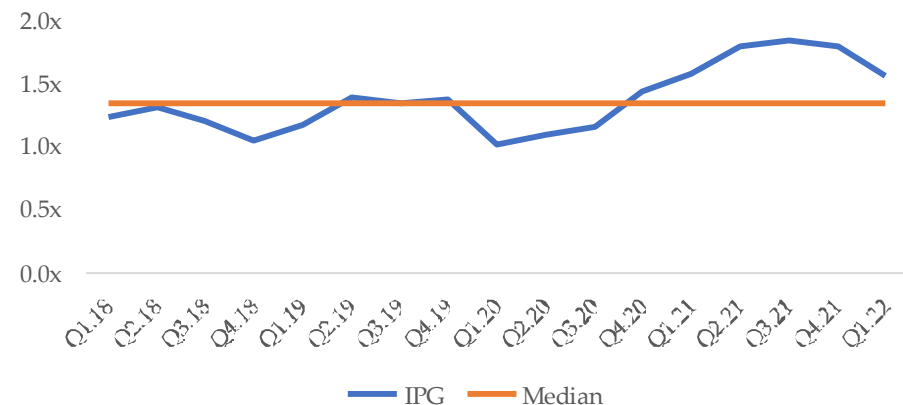
### EV/EBITDA The Interpublic Group of Companies



### P/E The Interpublic Group of Companies



### EV/Revenue The Interpublic Group of Companies

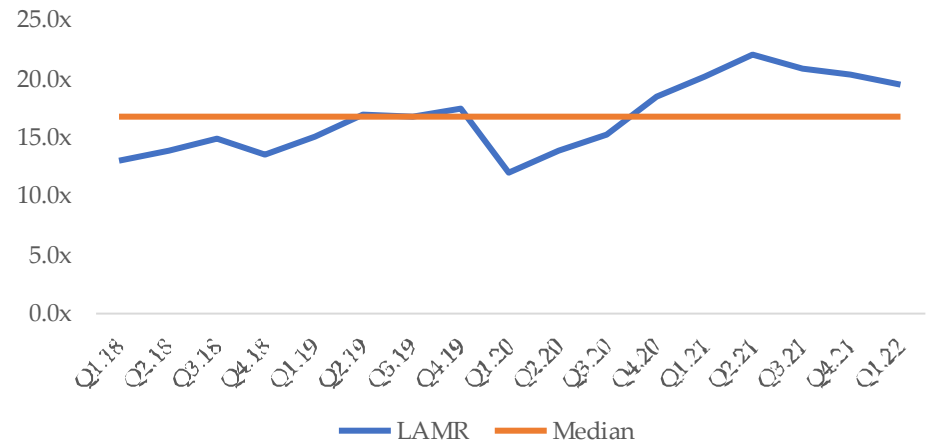


# PUBLIC COMP

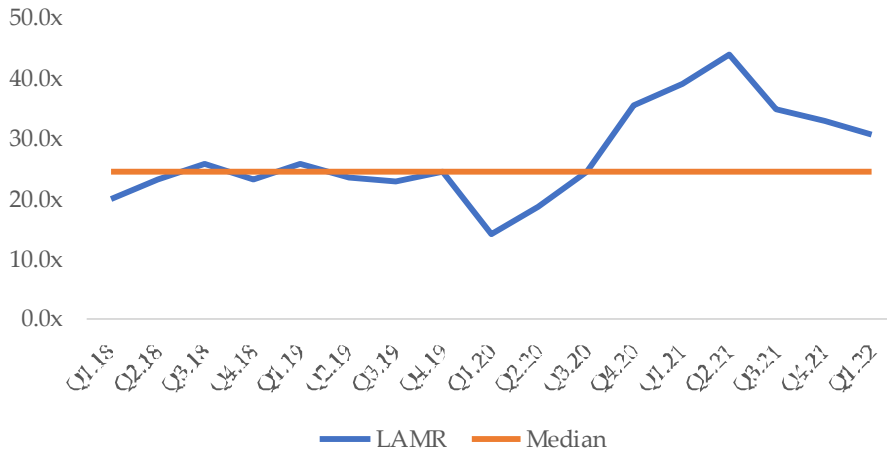
## Lamar Advertising Company (NAS: LAMR)

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.

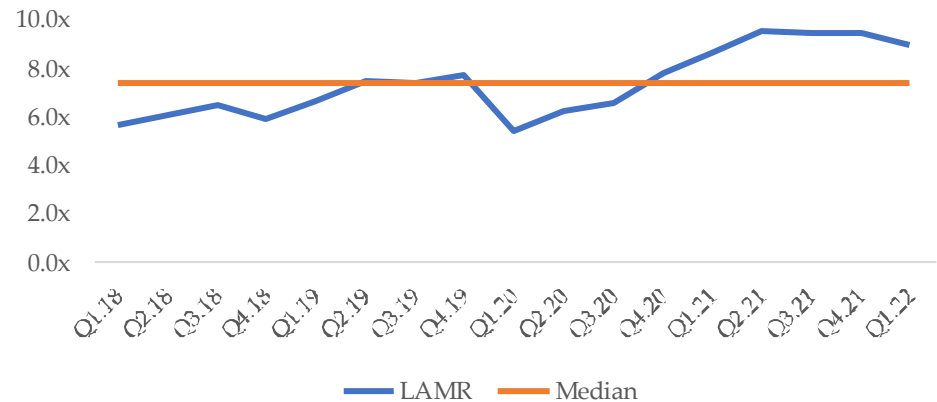
### EV/EBITDA Lamar Advertising



### P/E Lamar Advertising



### EV/Revenue Lamar Advertising

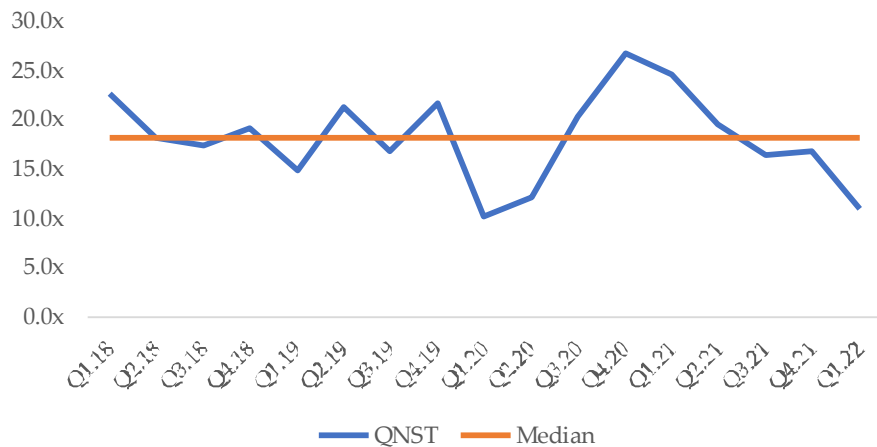


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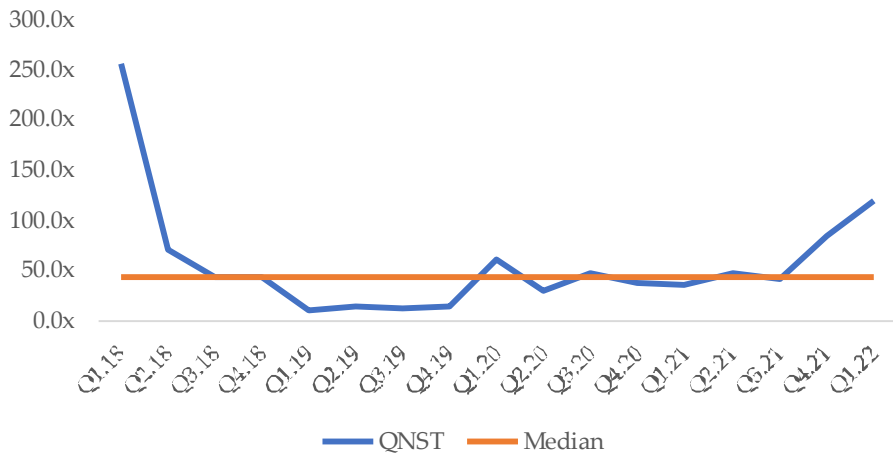
## QuinStreet (NAS: QNST)

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.

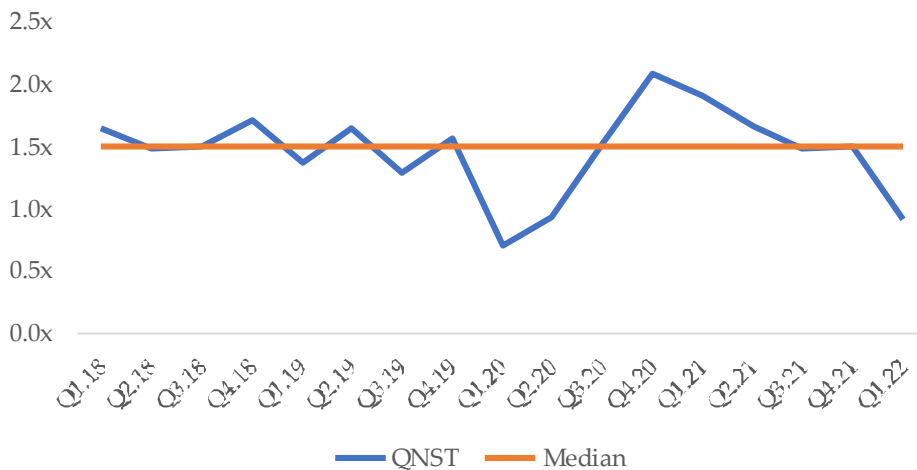
### EV/EBITDA QuinStreet



### 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 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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## **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.