

# Marketing and Advertising Industry Report Q4 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 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.

# INDUSTRY AT A GLANCE

## Key Statistics



### \$68.1bn Revenue

- Annual Growth 2017 – 2022 3.8%
- Annual Growth 2022 – 2027 1.8%



### \$3.9bn Profit

- Annual Growth 2017 – 2022 -4.6%



### 5.7% Profit Margin

- Annual Growth 2017 – 2022 -3.0pp



### 87,712 Businesses

- Annual Growth 2017 – 2022 4.8%
- Annual Growth 2022 – 2027 3.4%



### 268k Employment

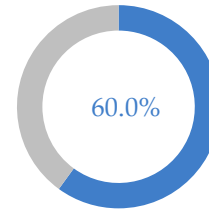
- Annual Growth 2022 – 2027 2.1%



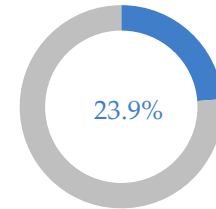
### \$21.2bn Wages

- Annual Growth 2017 – 2022 0.6%
- Annual Growth 2022 – 2027 2.0%

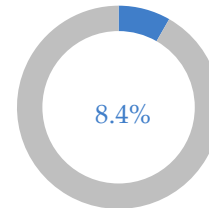
## Industry Segments



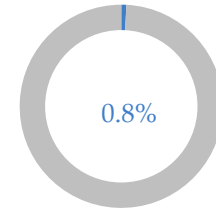
Bundled creative services



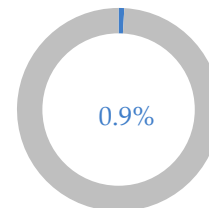
Creative services



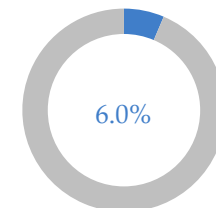
Media buying/planning services



Public relations services



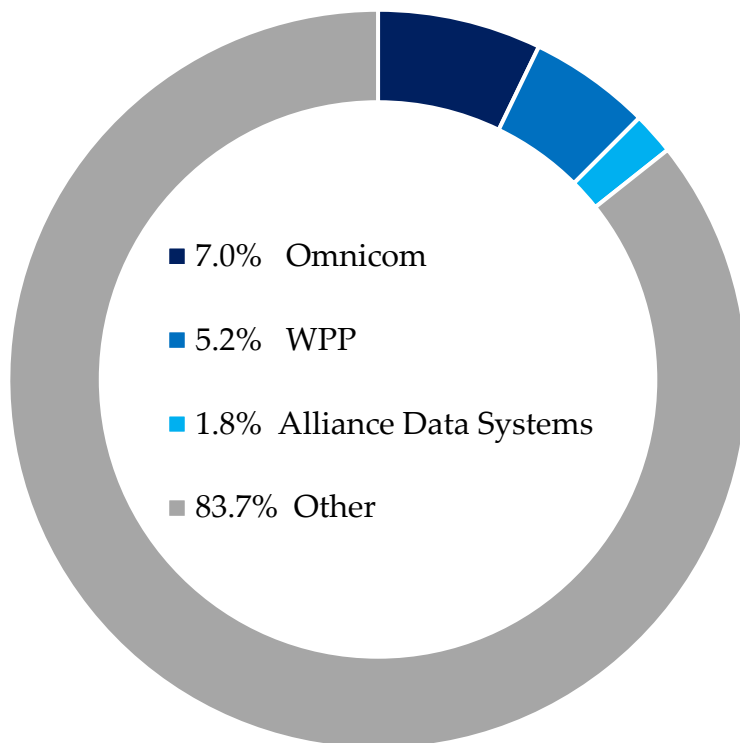
Sales promotion services



All Other Services

# INDUSTRY AT A GLANCE

## Major Players



## SWOT Analysis

S

### 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

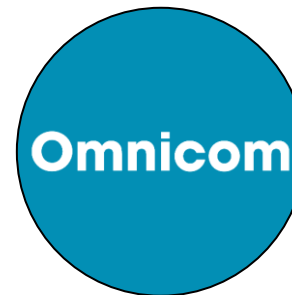
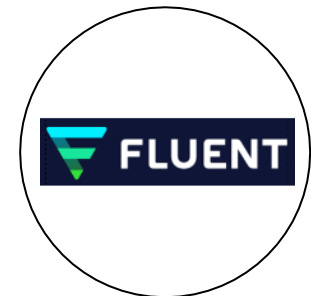
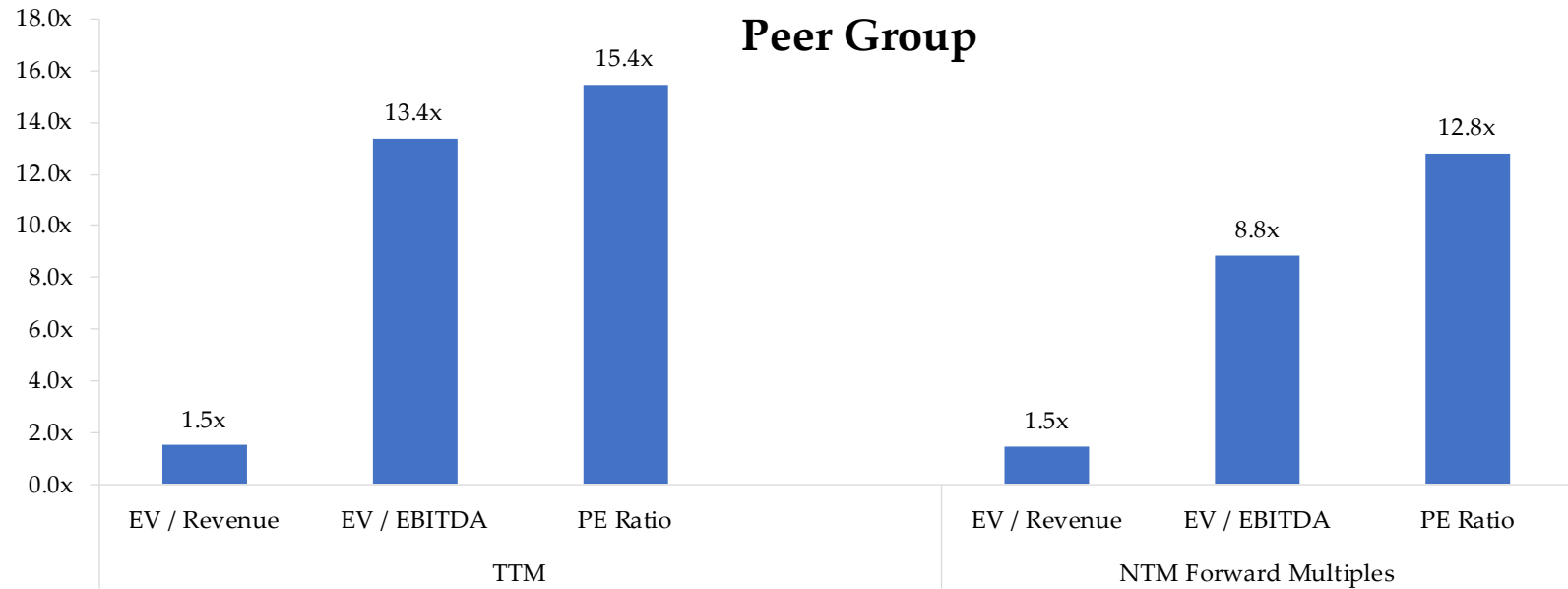
- High Revenue Growth (2021-2026)
- Investor Uncertainty

T

### THREATS

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

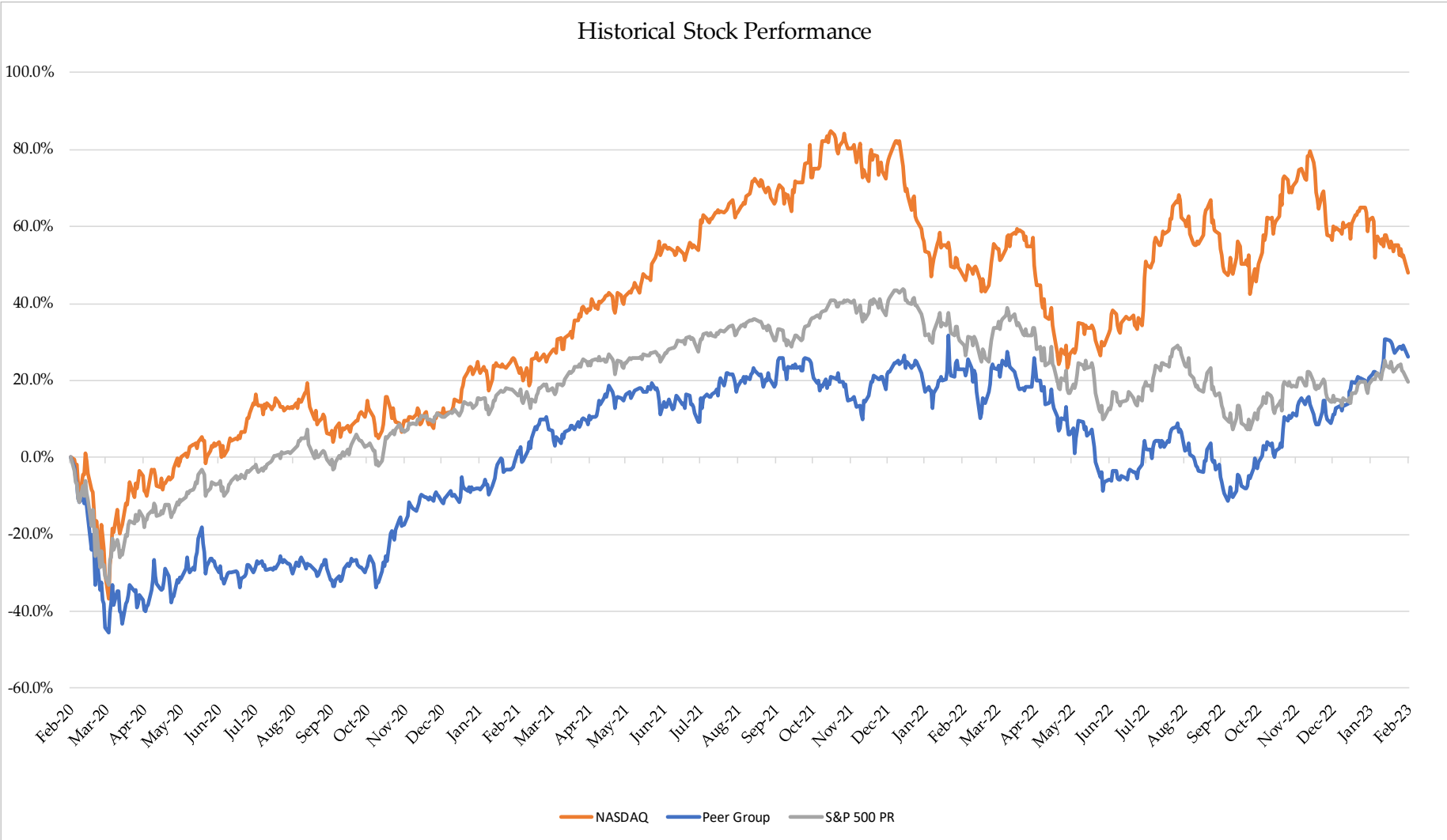
# PUBLIC COMPARABLES



# PUBLIC COMPARABLES

\$ in Millions	Omnicom Group	The Interpublic Group of Companies	Lamar Advertising	QuinStreet	Fluent (Commercial Services)	
Ticker	OMC	IPG	LAMR	QNST	FLNT	
Total Revenue	14,289	10,928	1,991	575	376	
Gross Profit	2,681	1,845	1,340	47	101	
EBIT	2,075	1,380	623	(15)	(48)	
Net Income	1,299	938	496	(15)	(52)	
EBITDA (Normalized)	2,382	1,818	916	18	30	
Total Debt	6,494	4,532	4,422	2	48	
EV	21,594	16,295	15,028	862	137	
Employees	71,700	58,500	3,350	791	265	
Ratio Analysis						Median
Revenue/Employee	\$199,290	\$187,120	\$594,389	\$726,676	\$1,420,053	\$594,389
EV/Revenue	1.51x	1.49x	7.55x	1.50x	0.36x	1.50x
Debt/EBITDA	2.84x	2.81x	4.81x	1.67x	NM	2.83x
EV/EBITDA (Normalized)	9.07x	8.96x	16.40x	48.30x	4.52x	9.07x
Market Cap/EBITDA	8.08x	8.59x	12.00x	392.69x	NM	10.29x
Market Cap (mm)	18,536	14,212	10,685	939	122	
Close Price	91.44	36.58	105.08	17.45	1.52	
52 Week Low	61.31	25.14	81.10	8.28	0.96	
52 Week High	96.52	39.52	119.68	18.18	2.36	
Gross Margin	18.8%	16.9%	67.3%	8.1%	26.9%	18.8%
EBIT	14.5%	12.6%	31.3%	-2.6%	-12.7%	12.6%
EBITDA	16.1%	15.1%	44.7%	0.4%	-9.2%	15.1%
Acct. Receivable Days	190	219	51	47	69	69
Inventory Days	40	NM	NM	NM	NM	40
Acct. Payable Days	331	293	11	28	20	28
Revenue Growth	0.0%	6.7%	15.7%	-2.4%	20.8%	6.7%

# ADVERTISING INDEX Vs. S&P 500



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



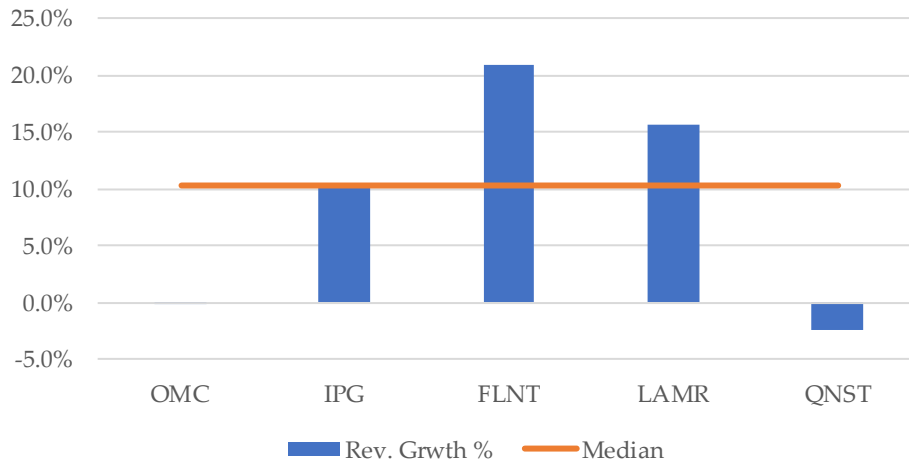
# RECENT TRANSACTIONS

Deal Date	Target Companies	Investors	Deal Size (\$MM)	HQ Location
30-Dec-2022	Madison Logic	BC Partnera, Pittco Management	NM	New York, NY
23-Dec-2022	Kanga Studio	Dave Creek Media	NM	Conway, AR
20-Dec-2022	Loop Club	Structured Agency	NM	Los Angeles, CA
15-Dec-2022	R2Integrated	Protiviti	NM	Baltimore, MD
14-Dec-2022	KFMN	Pacific Media Group-Media Business	NM	Lihue, HI
09-Dec-2022	The JRT Agency	Crown Capital Investments	NM	Farmington Hills, MI
08-Dec-2022	Hyros	Banzai, Global Emerging Markets	110.00	Austin, TX
02-Dec-2022	Pulsecx	BW Health Group	NM	Montgomeryville, PA
01-Dec-2022	Bid Ocean	Byggfakta Group	NM	Chicago, IL
01-Dec-2022	CG Life	Harvey & Company, Shore Capital Partners	NM	Chicago, IL
22-Nov-2022	TargetSpot	Azerion	7.56	Brussels, Belgium
21-Nov-2022	Elevation Outdoor Advertising	Link Media Outdoor	NM	Knoxville, TN
08-Nov-2022	Beacon Advertising	Imaginuity	NM	Dallas, TX
08-Nov-2022	Blockthrough	Eyeo	NM	Toronto, Canada
01-Nov-2022	Engage	Forbes Tate Partners	NM	Alexandria, VA
21-Oct-2022	HotZippy	Crave Books	NM	Jacksonville, NC
17-Oct-2022	Shore Sign Services	Keystone Outdoor Advertising Company	NM	Atlantic City, NJ

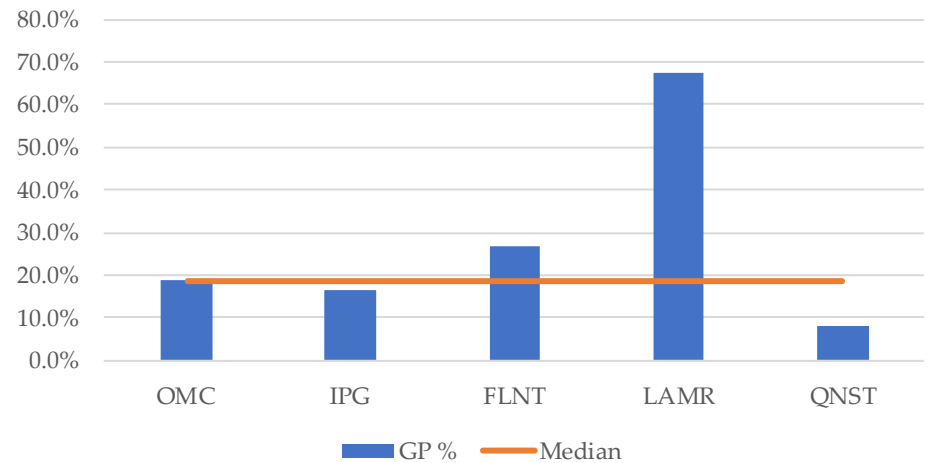


# OPERATING METRICS

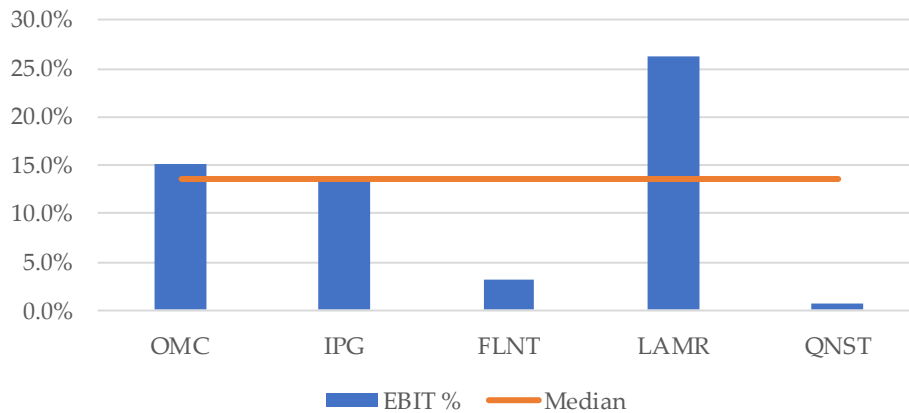
## Revenue Growth



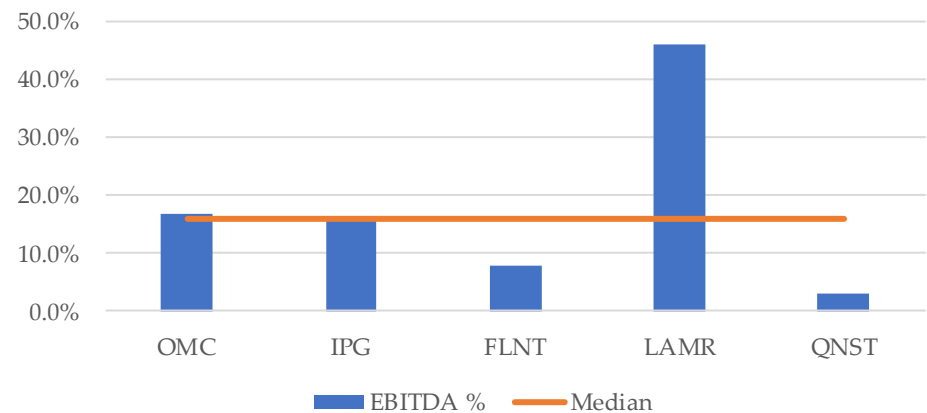
## Gross Profit Margin



## EBIT Margin Normalized

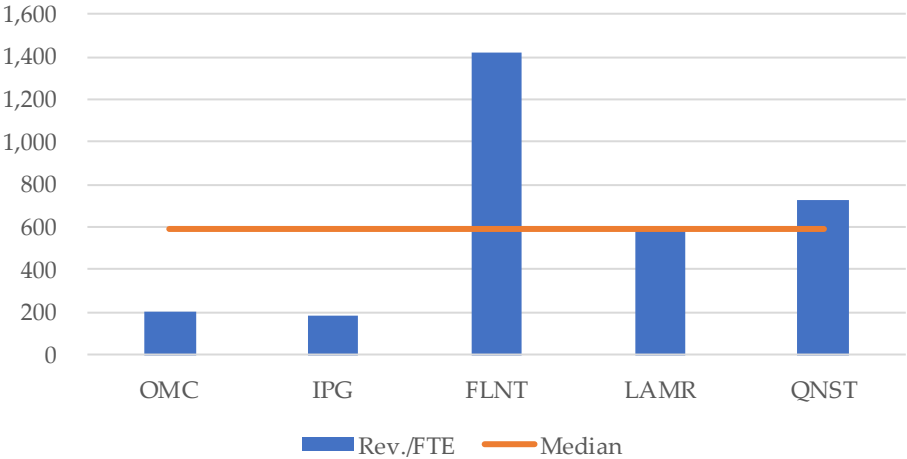


## EBITDA Margin Normalized

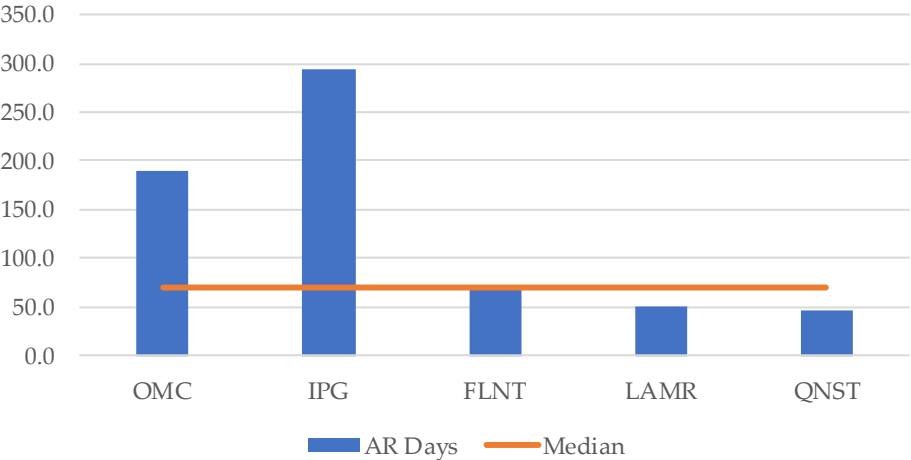


# RATIO ANALYSIS

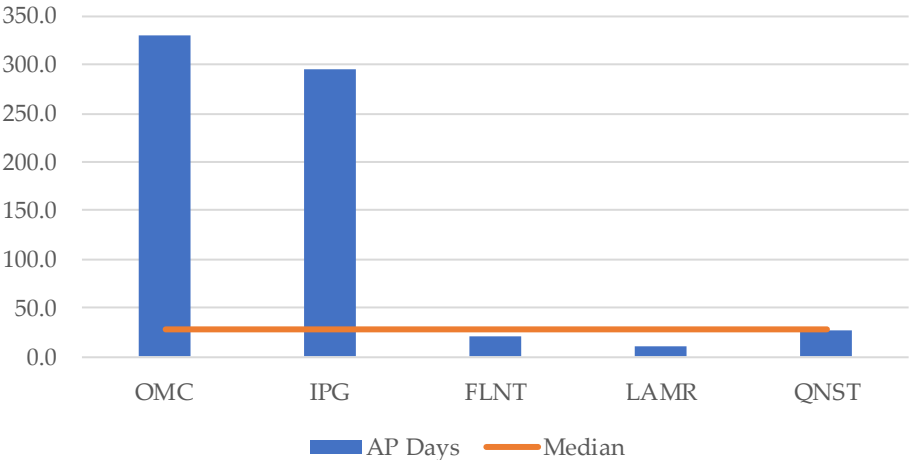
Revenue per Employee



AR Days



AP Days



# VALUATION TRENDS

(\$MM)		Fundamentals								
Ticker	Company	TTM						NTM Estimates		
		Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
OMC	Omnicom Group	91	18,536	21,594	14,289	2,295	6.40	14,794	2,468	7.29
IPG	The Interpublic Group of Companies	37	14,212	16,295	10,928	1,654	2.40	9,704	1,847	2.86
FLNT	Fluent (Commercial Services)	2	122	137	376	(35)	(0.64)	387	29	0.15
LAMR	Lamar Advertising	105	10,685	15,028	1,991	891	4.89	2,130	1,022	5.26
QNST	QuinStreet	17	939	862	575	2	(0.28)	659	43	0.45

		Multiples					
Ticker	Company	TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
OMC	Omnicom Group	1.51x	9.41x	14.38	1.46x	8.75x	12.54
IPG	The Interpublic Group of Companies	1.49x	9.85x	15.43	1.68x	8.82x	12.79
FLNT	Fluent (Commercial Services)	0.36x			0.35x	4.76x	10.48
LAMR	Lamar Advertising	7.55x	16.87x	21.53	7.06x	14.70x	19.98
QNST	QuinStreet	1.50x	360.33x		1.31x	20.08x	38.78

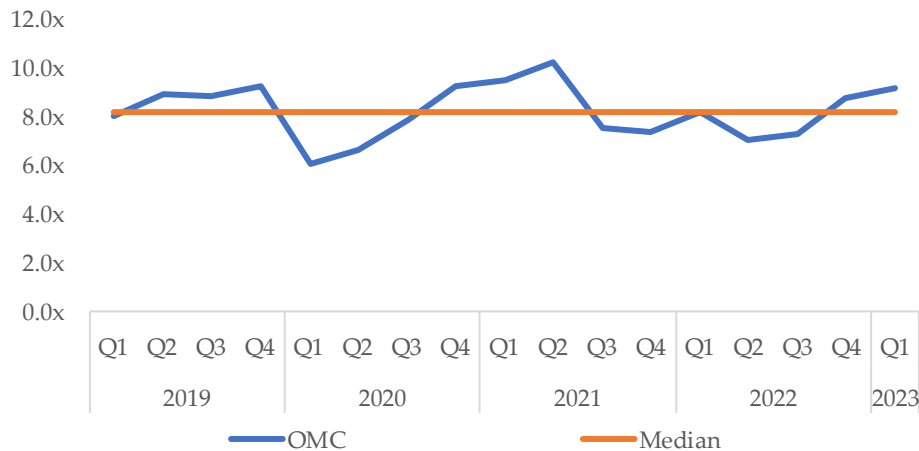
# PUBLIC COMP

## Omnicom Group Inc. (NYS: OMC)

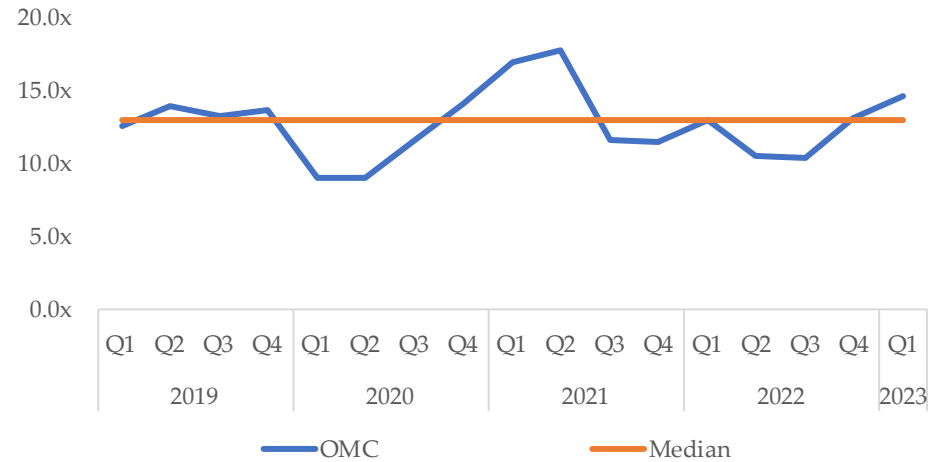
Omnicom Group Inc. provides a range of services in the areas of advertising, customer relationship management, public relations, and healthcare. The company's services include advertising, branding, content marketing, corporate social responsibility consulting, crisis communications, database management, 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.

# OmnicomGroup

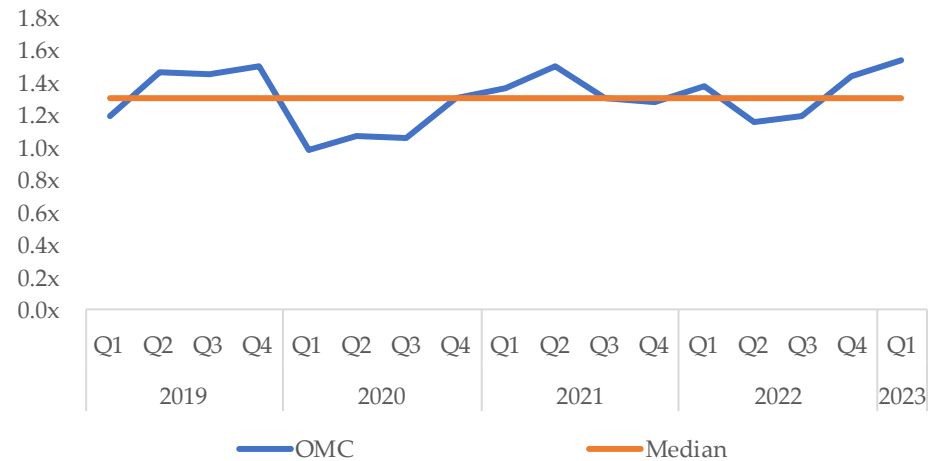
### EV/EBITDA Omnicom Group



### P/E Omnicom Group



### EV/Revenue Omnicom Group



# PUBLIC COMP

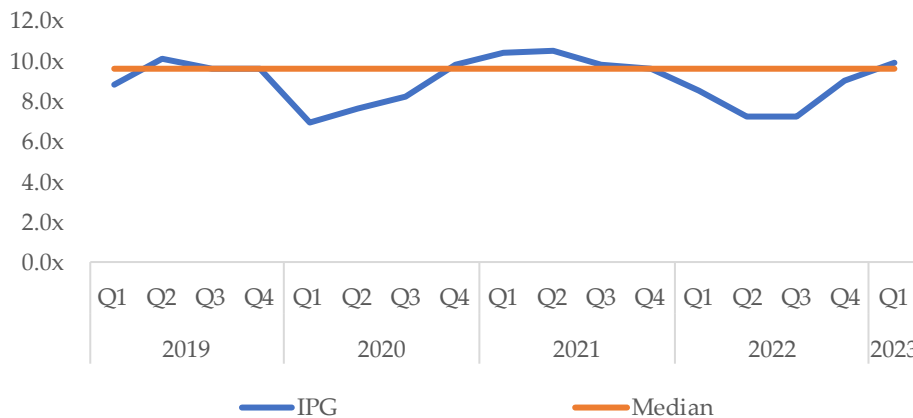
## The Interpublic Group of Companies, Inc. (NYS: IPG)

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.

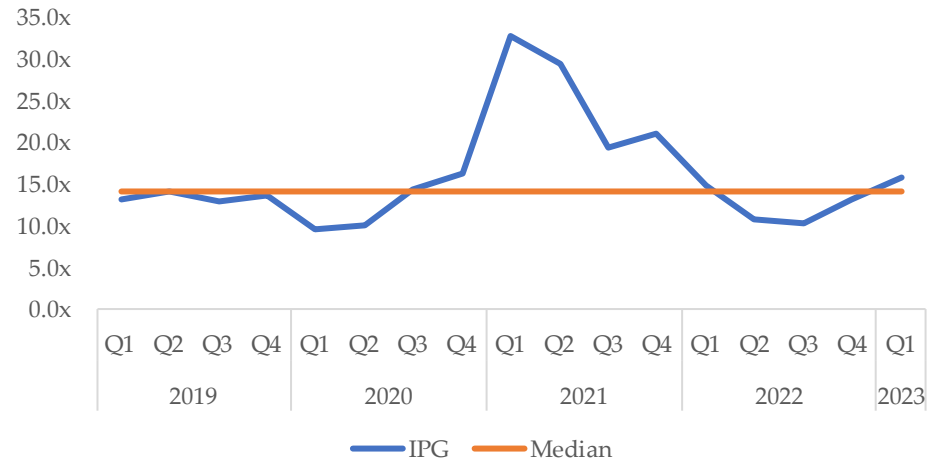


### Interpublic Group

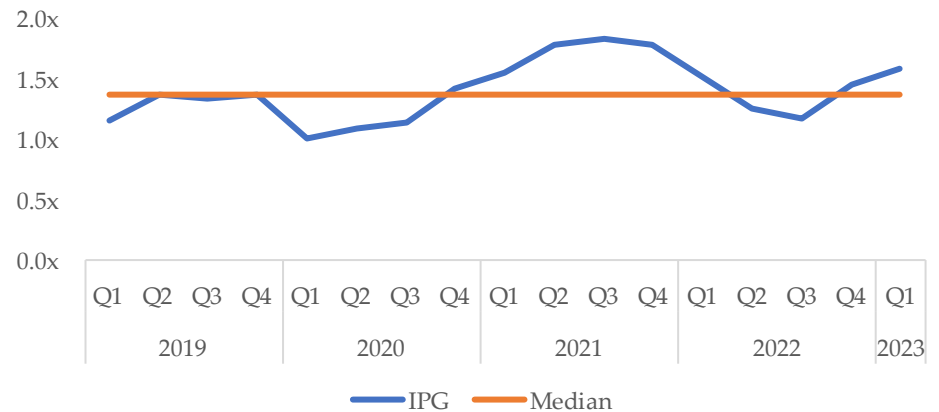
#### EV/EBITDA The Interpublic Group of Companies



#### P/E The Interpublic Group of Companies



#### EV/Revenue The Interpublic Group of Companies



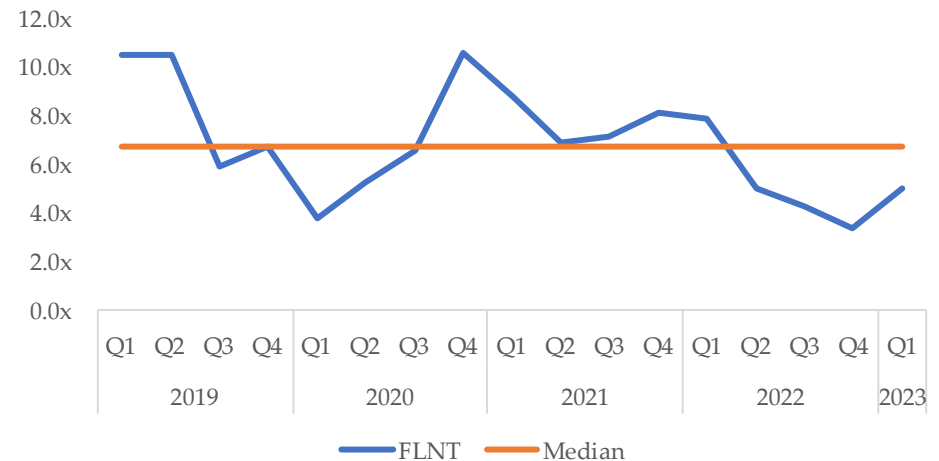
# PUBLIC COMP

## Fluent (Commercial Services) Inc. (NAS: FLNT)

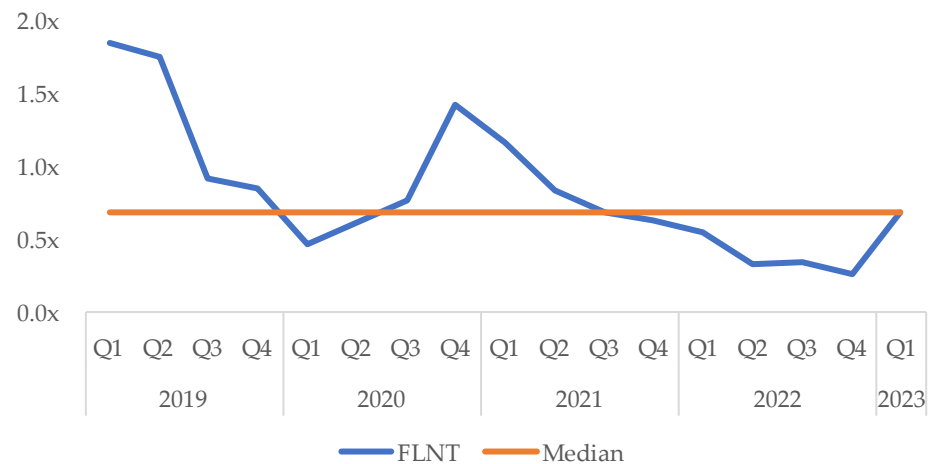
Fluent Inc is a data-driven digital marketing services company. It performs customer acquisition services by operating digital marketing campaigns, through which it connect its advertiser clients with consumers they are seeking to reach. It delivers data and performance-based marketing executions to its clients, such as consumer brands, direct marketers and agencies across a wide range of industries, including Financial Products & Services, Media & Entertainment, Health & Wellness, etc. and earns key revenue from their U.S. segment.



### EV/EBITDA Fluent (Commercial Services)



### EV/Revenue Fluent (Commercial Services)



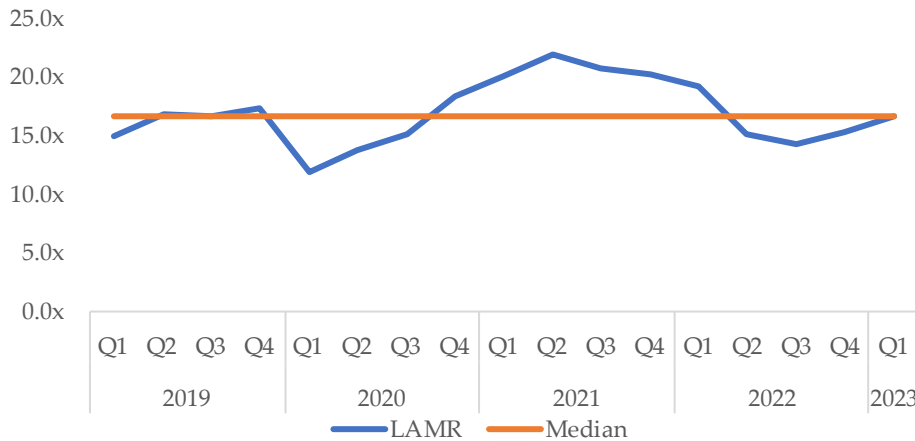
# PUBLIC COMP

## Lamar Advertising Company (NAS: LAMR)

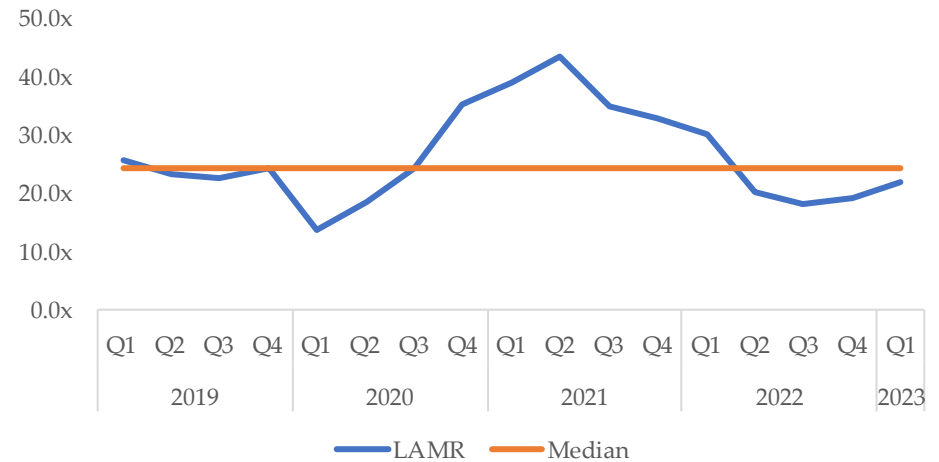
Founded in 1902, Lamar Advertising is one of the largest outdoor advertising companies in North America, with approximately 385,000 displays across the United States and Canada. Lamar offers advertisers a variety of billboard, interstate logo, transit and airport advertising formats, helping both local 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.



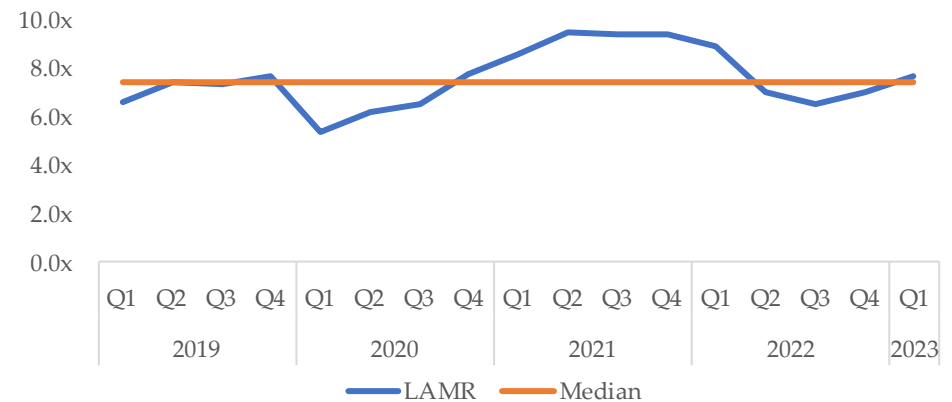
### EV/EBITDA Lamar Advertising



### P/E Lamar Advertising



### EV/Revenue Lamar Advertising





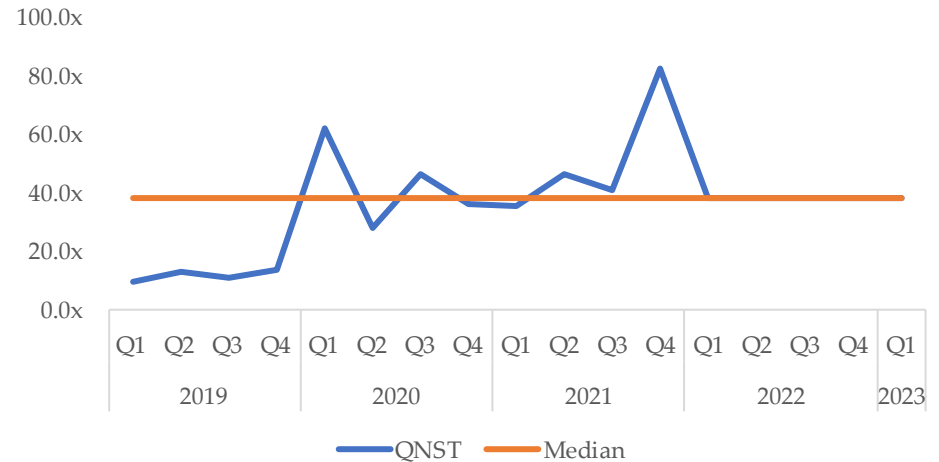
# PUBLIC COMP

## QuinStreet (NAS: QNST)

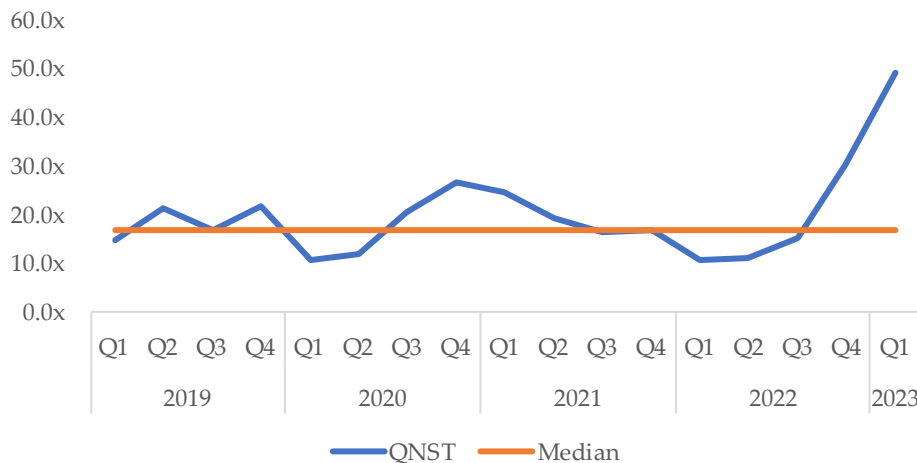
QuinStreet, Inc., an online performance marketing company, provides customer acquisition services for its clients in the United States and internationally. The company offers online marketing services to its clients in the form of qualified clicks, leads, inquiries, calls, applications, customers, display 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.



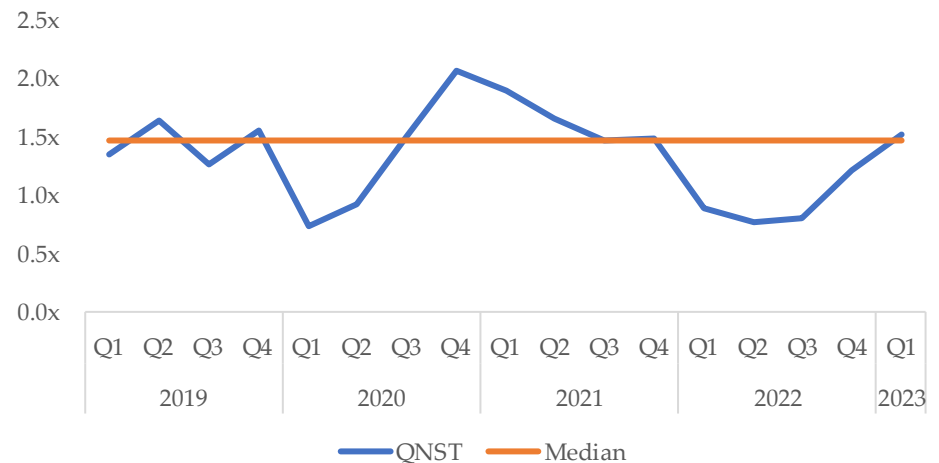
### P/E QuinStreet



### EV/EBITDA 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.



980-237-9474 | Direct  
[robert.cashion@davcapadvisors.com](mailto:robert.cashion@davcapadvisors.com)



# 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.



980-237-9474 | Direct  
[beth.folger@davcapadvisors.com](mailto:beth.folger@davcapadvisors.com)

# 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 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.