DIGITAL MARKETING SECTOR REPORT

PALA M&A sector report (Europe)

PALA
CORPORATE FINANCE

Hamburg, 2023

LETTERS FROM THE PALA TEAM

The M&A digital marketing sector has experienced a surge in transaction volume, reaching all time high levels in 2021.

Digital marketing agencies have been major beneficiaries of the COVID-19 pandemic, which has accelerated the adoption of digital transformation and digital media & advertising.

As ecommerce continues to grow and consumer time spent online increases, advertising budgets are expected to shift towards digital channels. Furthermore, the utilization of blockchain technology in Web 3 is anticipated to have a significant impact on various marketing agency services, presenting a high potential for growth in the coming years.

The European landscape displays a moderate level of consolidation, varying across geographic markets and industry verticals. Financial sponsors play a crucial role in driving consolidation, aggregating agencies with niche market expertise to create comprehensive one-stop-shop offerings.

Given the considerable number of market participants and a positive outlook for organic growth, we anticipate consolidation to persist in the near future.

The current trend towards consolidation as well as the high private equity interest suggest that 2023 will witness several larger transactions.

This report reflects transactions involving European buyers registered by MergerMarket or Pitchbook, in addition to our transaction experience and insights into key industry trends.

We closed +30 M&A transactions

We founded 2x start-ups

We act as Business Angels and invest in start-ups

We have significant experience in the sports industry

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PALA CORPORATE FINANCE IS THE PREFERED ADVISOR FOR COMPANIES FROM FUTURE-ORIENTED SECTORS

OUR SERVICES:

- CORPORATE FINANCE
- STRATEGIC ADVISORY
- BRAND BUILDING

OUR SECTORS:

- DIGITAL MARKETING
- HEALTHCARE
- FASHION/ LIFESTYLE
- ENERGY
- SPORT
- MUSIC / AUDIO
- GAMING & ESPORTS

OUR EXPERTISE:

- +30 COMPANIES SOLD
- +2BN TRANSACTION VOLUME
- 60% CROSS-BORDER DEALS
- +30 YEARS OF EXPERIENCE

M&A ACTIVITY IN DIGITAL MARKETING

€295BN The global digital marketing industry is expected to grow from €295BN in 2022 to almost €500BN by 2027

€11BN 2020-2023ytd has seen above €11BN in disclosed deal value

+417 There have been +417 M&A transactions in digital marketing sector since 2021

60% Private Equity interest is high with +60% of buyers being financial sponsors or sponsor backed buyers

The European terrain exhibits a moderate level of consolidation that differs across various geographic markets and industry verticals

Consolidation is mainly driven by high financial sponsor interest which aggregate agencies with expertise in niche markets, in order to create comprehensive one-stop-shop offerings

Given the considerable number of market participants and a robust outlook for organic growth, we expect consolidation to persist in the foreseeable future

VALUATION ENVIRONMENT

LANDMARK TRANSACTIONS IN DIGITAL MARKETING

NOTABLE STRATEGIC TRANSACTIONS

TARGET	BUYER	Enterprise Value	EV/ Revenue
oddity	Infosys	€50M	2.3x
AD YOU LIKE.	OpenWeb Formerly Spot.IM	€85M	N/A
Profitero	PUBLICIS	€168M	N/A
Village	WPP	N/A	N/A
SATALIA	WPP	€88M	N/A
Fanbytes		€122M	3.2x

NOTABLE SPONSOR TRANSACTIONS

TARGET	BUYER	Enterprise Value	EV/ Revenue
dogado	Cinven	N/A	N/A
WAGAWIN	pride Capital Partners	N/A	N/A
LABELIUM	charterhouse	€300M	N/A
JAKALA	ARDIAN	€507M	N/A
valtech_	BC PARTNERS	€1.2BN	N/A
we are social	CVC	N/A	N/A

MOST ACTIVE BUYERS

Buyer	Number of transactions
happy horizon CREATIVE DIGITAL AGENCY	16
WPP	12
intracto GROUP	11
valtech_	11
PUBLICIS	10
KANTAR	8

Enterprise Value
EV/ Revenue
Number of transactions

PALA CORPORATE FINANCE

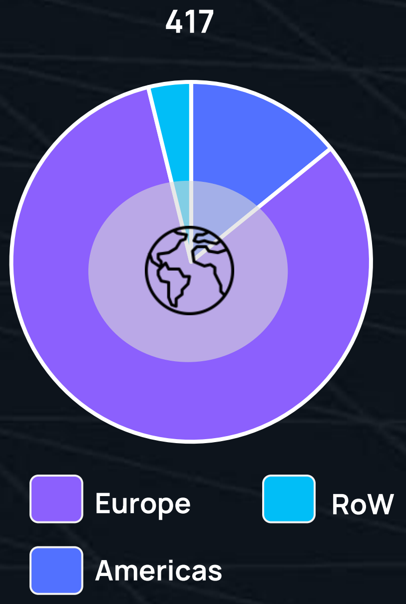
Sources: MergerMarket, Pitchbook

VALUATION ENVIRONMENT

HIGH M&A ACTIVITY IN DIGITAL MARKETING AS PANDEMIC ACCELERATES THE NEED FOR ADOPTION OF DIGITAL SERVICES

DIGITAL MARKETING M&A ACTIVITY (#)

DEAL COUNT BY REGION



DEAL COUNT BY TYPE

M&A in 2022 decreased slightly in comparison to record breaking 2021 but remains on a high level

Multiples have fallen from a high phase in 2021 but remain on a high level

Most active buyers coming from UK, Netherlands, Germany & France. Pan European transactions representing over 80%. However, European buyers acquiring targets all over the globe

Sponsor led interest has been significant with over 60% of buyers have been sponsors or sponsor backed buyers

PALA CORPORATE FINANCE

Sources: MergerMarket, Pitchbook, as of 05th April 2023

SELECTED TRANSACTIONS (1/2)

UNDISCLOSED ACQUIRED BY

- PE backed Insite Group has acquired Happy Thinking People a human driven consultancy firm for an undisclosed amount
- The move marks the fourth acquisition of Insite in Europe and helps the firm to strengthen its consultancy offerings

January 2023

UNDISCLOSED ACQUIRED BY

- Cinven and OTTP have acquired dogado, a leading provider of online presence solutions for an undisclosed amount from Triton
- The transaction sees Cinven/ OTPP to merge dogado and group.one to create a diversified, pan-European digital marketing champion

December 2022

€50M ACQUIRED BY

- Infosys has acquired digital marketing, experience and commerce agency oddity for a total consideration of €50M
- The acquisition strengthens Infosys' creative, branding and experience design capabilities, navigates the digital transformation journey

May 2022

€122M ACQUIRED BY

- Digital media agency Fanbytes has been acquired by Brain Labs for a consideration of approx. €122M representing an implied EV/ revenue of 3.2x
- The acquisition allows Brain Labs to deliver full range of performance channels to their clients

May 2022

€85M ACQUIRED BY

- OpenWeb has acquired ADYOULIKE, a leading global advertising platform for a total consideration of €85M
- The acquisition of ADYOULIKE, allows Open Web to bring capabilities previously reserved for the walled gardens to the open internet

May 2022

UNDISCLOSED ACQUIRED BY

- Pride Capital Partners has acquired Wagawin for an undisclosed amount
- Pride Capital will back Wagawin's international growth and expansion plan. The company is well positioned to become a key player in the global advertising industry

May 2022

Sources: MergerMarket, Pitchbook

SELECTED TRANSACTIONS (2/2)

LÖWENSTARK DIGITAL GROUP — UNDISCLOSED ACQUIRED BY HANNOVER Finanz / ARCUS

- Hannover Finanz and Arcus Capital have acquired Germany-based leading online marketing service provider Löwenstark Digital Group
- The support of the private equity firms will help Löwenstark to accelerate its growth strategy

May 2022

Profitero — €168M ACQUIRED BY PUBLICIS

- Listed Publicis Group has acquired Profitero for a total consideration of €168M
- Publicis Group will combine Profitero's industry leading product data and analytics with the Group's retail media, data, and commerce solutions to offer unmatched solutions

March 2022

Village — UNDISCLOSED ACQUIRED BY WPP

- The creative influencer marketing agency Village has been acquired by WPP for an undisclosed amount
- Village joins the Wunderman Thompson network to strengthen its commitment to the creator economy

February 2022

LABELIUM — €300M ACQUIRED BY charterhouse

- Charterhouse acquires Labelium a leading B2B digital marketing performance consulting agency for a total consideration of €300M
- Labelium will continue to grow and diversify the business into new service areas and geographical markets through targeted M&A

July 2021

JAKALA — €507M ACQUIRED BY ARDIAN

Ardian has acquired a majority stake of Jakala for a total consideration of €507M

- Jakala is the leading marketing technology group in Italy
- The support of Ardian will help Jakala to accelerate its growth strategy in Italy and abroad

February 2021

YIELDKIT — UNDISCLOSED ACQUIRED BY WATERLAND PRIVATE EQUITY INVESTMENTS

- Waterland has acquired Yieldkit for an undisclosed amount
- Yieldkit is a leading platform in the area of in-text advertising, content monetisation and performance marketing

January 2021

WHATS NEXT

KEY TOPICS TO WATCH IN 2023

01 Increased Emphasis on Data-Driven Marketing

- Data-driven marketing has become a crucial aspect of business, rather than just an optional feature
- Utilizing data for decision-making empowers companies to execute more precise and impactful campaigns, increasing their chances of achieving their objective
- By accessing information on target audiences, their purchasing habits, and behavioral patterns, marketers can generate content that caters to their specific needs

02 Influencer Marketing Will Continue to Grow

- Influencer marketing is primed for significant expansion in 2023 and beyond, as digital marketing continues to evolve
- A recent survey conducted that 89% of marketers are already involved in influencer marketing and intend to escalate or maintain their investments in this area in the coming year

03 AI Will Become an Invaluable Digital Content Tool

- The emergence of AI in recent years has brought about a revolutionary impact and the swift progressions in AI technology have enabled machines to comprehend intricate language patterns, enabling them to create completely unique content from even imprecise cues
- This feature opens up a wide range of possibilities for marketing content, including the ability to quickly generate optimized headlines, ad copy, or even entire blog posts

BUYERS TO WATCH

WPP
CVC
WATERLAND PRIVATE EQUITY INVESTMENTS
happy horizon CREATIVE DIGITAL AGENCY
Blackstone
intracto GROUP
ECM
valtech_
LABELIUM
PUBLICIS
ARDIAN
KANTAR

PALA TEAM CONSISTS OF EXPERIENCED INVESTMENT BANKERS WITH DEEP MARKET KNOWLEDGE

Managing Partner

Patrick Bauer

Patrick founded **PALA** in 2021 with the vision to provide top notch advice to young entrepreneurs from future - oriented sectors

Patrick is a serial entrepreneur and founder of the Esports Venue Play Bay. He has a strong background in the investment banking industry. Prior to founding PALA, Patrick served as a Vice President at the leading M&A boutique Ferber & Co.

Managing Partner

Laurens Ahlring

Laurens founded **PALA** in 2021 with the vision to revolutionize the investment industry through new innovative approaches

Prior to PALA he worked in the Investment Banking industry, which equipped him with a strong financial experience and most recently he founded the Esports Venue Play Bay in Hamburg

Senior Advisor

Marius Diehl

Marius serves as external advisor and business angel to PALA

Marius is a proven business angel and venture capital expert. He has a broad network in the industry and a deep knowledge of evaluation of business models. He worked several years at leading venture capital firm born2grow

+30
Companies sold

+2BN
Transacation volume

60%
Cross-border deals

+30
Years of experience

WHAT WE OFFER

- DEEP SECTOR KNOWLEDGE
- SENIOR COMITTMEND
- SERIAL ENTREPRENEURS
- INNOVATIVE & TRANSPARENT

WHAT WE OFFER

CORPORATE FINANCE

- Mergers & Acquisitions
- Corporate Finance
- Buy and Build

We are a specialised independent financial advisor established to identify, service and execute transactions across high growth sectors. We serve private equity, family-owned business, listed companies and start-ups worldwide

STRATEGIC ADVISORY

- Market Research & Analysis
- Business Plan Validation
- Valuation & Fairness Opinion
- Transaction Advisory Services

Given our deep market knowledge and transaction expertise we offer valuation and transaction advisory services. We serve CFOs, board members and shareholders

BRAND/ VENTURE BUILDING

- Investment Advisory & Strategy
- Company Accelerator
- Management of Company
- CFO Services

We are the preferred brand builder that caters to the specific needs of creators and influential individuals in the entertainment & media sector. Our 360-degree approach allows our clients to create a branding empire and become a successful investors and exceptional business professionals

OUR TEAM FOR YOUR SUCCESS

SELL-SIDE ADVISOR
Tipbet
Sold retail network to HAPPY BET

SELL-SIDE ADVISOR
WAVE
Sold League Spot to

ADVISOR
PLAY BAY
Seed Funding

BUY SIDE ADVISOR
Acquisition of medpex

SELL SIDE ADVISOR
ALPHAPET
Sold to capiton

BUY SIDE ADVISOR
Oakley Capital
Acquisition of WINDSTAR MEDICAL

SELL SIDE ADVISOR
EVP
Sold to capiton

SELL SIDE ADVISOR
DZM
Sold to halder

SELL SIDE ADVISOR
MAQUET GETINGE GROUP
Sold Medap Therapy to to ATMOS

BUSINESS ANGEL
Seed Funding

ADVISOR
wellster healthtech
€80M
Series B

BUY SIDE ADVISOR
Dermapharm AG
Acquisition of allergopharma

BUY SIDE ADVISOR
Dermapharm AG
Acquisition of EUROMED

BUY SIDE ADVISOR
point rouge
Acquisition of

SELL SIDE ADVISOR
team technik PRODUCTION TECHNOLOGY
Sold to DÜRR

BUY SIDE ADVISOR
Advent International
Acquisition of BONITAS

BUY SIDE ADVISOR
Advent International
Acquisition of DEUTSCHE FACHPFLEGE GRUPPE

SELL SIDE ADVISOR
Vitanas
Sold to OAKTREE

ADVISOR
€50M

BUY SIDE ADVISOR
Acquisition of apo-rot

SELL SIDE ADVISOR
apotal.de IHRE VERSANDAPOTHEKE
Sold to

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