

DEAL  
MAVEN

DIGITAL MEDIA, INFORMATION & TECHNOLOGY  
2013 M&A Review

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Volume 6

## Sector M&A Activity

M&A deal activity in Digital Media, Information & Technology increased approximately 66% in 2013 compared to 2012, reports Coady Diemar Partners, a leading boutique investment bank serving clients in these and other growth sectors. The total number of announced deals increased to 2,035 in 2013 from 1,223 in 2012.

On a dollar value basis, \$169 billion of M&A transactions for digital companies were announced in 2013 compared to \$118 billion in 2012, an increase of 43%. This compares favorably to an estimated 14% increase in announced U.S. targeted M&A deal value and an estimated 2.4% decrease in worldwide M&A value in 2013 compared to 2012.

## Sector M&A Transaction Stats

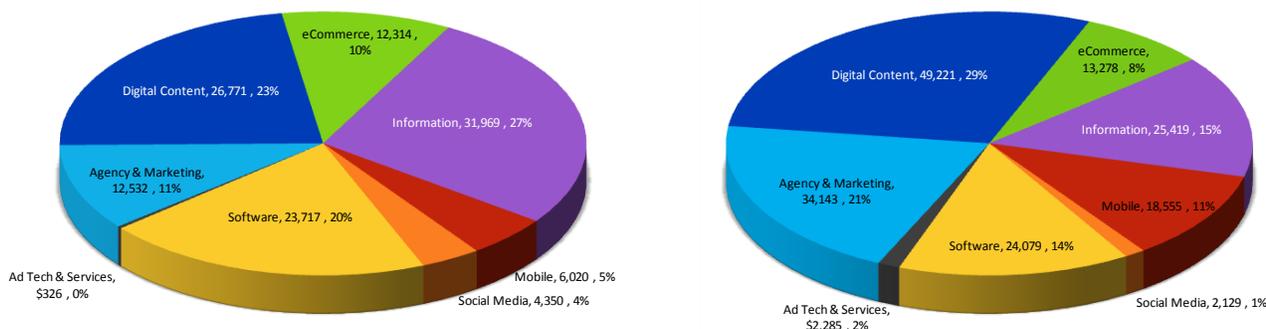
Coady Diemar tracks M&A deal activity in eight sectors of the Digital Media, Information & Technology market as presented in the following chart.

Digital M&A Transactions Comparison						
Segment	2012 Total		2013 Total		2013 vs. 2012	
	# of Transactions	Deal Value (\$ millions)	# of Transactions	Deal Value (\$ millions)	% Change Transactions	% Change Deal Value
Ad Tech & Services	39	\$326	77	\$2,285	97.4%	601.2%
Agency & Marketing	285	12,532	422	34,143	48.1%	172.4%
Digital Content	194	26,771	331	49,211	70.6%	83.8%
eCommerce	119	12,314	225	13,278	89.1%	7.8%
Information	249	31,969	366	25,419	47.0%	(20.5%)
Mobile	139	6,020	283	18,555	103.6%	208.2%
Social Media	89	4,350	104	2,129	16.9%	(51.1%)
Software	109	23,717	227	24,079	108.3%	1.5%
<b>Total</b>	<b>1,223</b>	<b>\$117,999</b>	<b>2,035</b>	<b>\$169,097</b>	<b>66.4%</b>	<b>43.3%</b>

The three sectors with the greatest number of announced transactions in 2013 were Agency & Marketing, Information and Digital Content, the same three most active sectors during 2012. Each experienced substantial growth in number of transactions in 2013 compared to 2012.

On a dollar value basis the three most active sectors of 2013 were Digital Content, Agency & Marketing and Information. The three sectors that demonstrated the highest percentage increase in deal activity were Ad Tech & Services, Mobile and Agency & Marketing.

The following pie charts present the transaction value and percentage of aggregate deal value for each sector for 2012 and 2013.



## Transaction Size

Transaction data was reported, or estimated based on industry sources, for 647 announced deals in 2013, 31.8% of the total, compared to 475 deals representing 38.8% of M&A transaction activity in 2012.

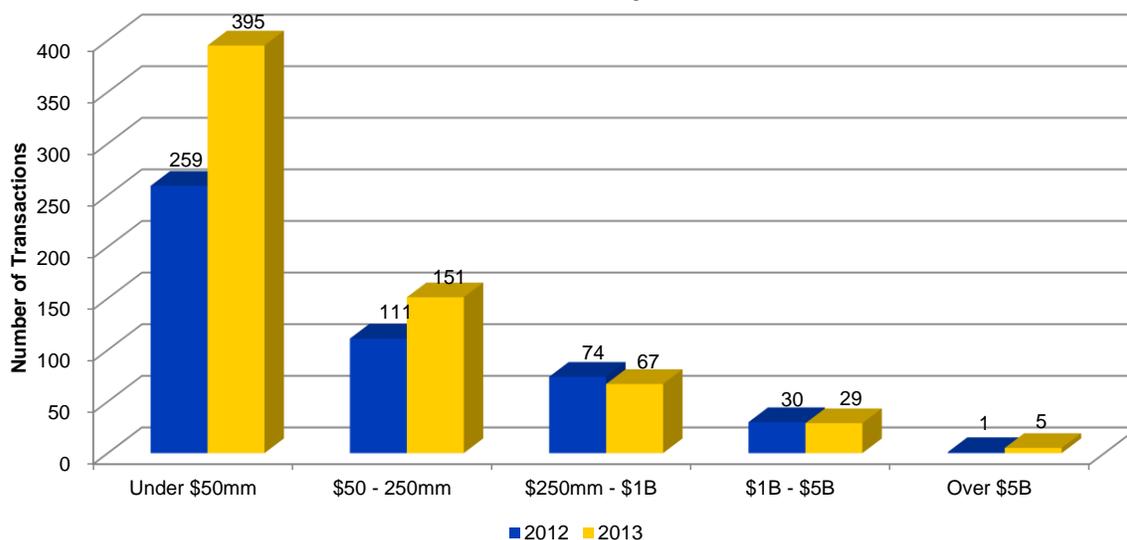
The table on the following page presents the number of announced transactions by different size groupings for those transactions where purchase price data was available. In 2013 the greatest number of transactions, 395 or 61% of the total where data was available, occurred for deal values less than \$50 million. By contrast, the largest deals are the primary drivers of aggregate deal value. In 2013, there were 34 transactions with deal values \$1 billion and greater accounting for 65.2% of total disclosed deal value, while representing only 5.3% of announced deal activity for which data was available. Further, there were 5 transactions in 2013 with deal values in excess of \$5 billion in 2013, representing 33.6% of total transaction value, compared to only one in 2012.

There were 252 transactions \$50 million and greater in 2013 compared to 216 for 2012. Transactions with values \$50 million and greater accounted for nearly 96.6% of announced and disclosed deal value in 2013 compared to 96.4% for 2012.



Coady Diemar provides mergers and acquisitions, private capital markets and strategic advisory services to growth companies in digital media, information & technology and other industries.

Transactions by Size



Transactions involving strategic acquirers represented 74.3% of the total aggregate reported deal value above \$50 million in 2013, compared to 80.0% in 2012, while Private Equity deals accounted for approximately 25.7% of the deal activity above \$50 million in 2013 compared to 20.0% in 2012.

The Largest Deals

Top 10 Transactions of 2013			
Acquirer	Target	Value/Implied EV	Category
Publicis Groupe SA	Omnicom Group Inc.	\$20,461	Agency & Marketing
Comcast Corporation	NBCUniversal Media, LLC	16,700	Digital Content
Activision Blizzard, Inc./ASAC II LP	Activision Blizzard	8,130	Digital Content
Bain, Golden Gate, Insight	BMC Software, Inc.	6,500	Software
Microsoft Corporation	Nokia Corporation, Devices & Services	5,000	Mobile
BC Partners	Springer Science+Business Media S.A.	4,423	Digital Content
Fidelity National Financial	Lender Processing Services, Inc.	3,881	Information
Salesforce.com, Inc	ExactTarget, Inc.	2,539	Agency & Marketing
Group DF Limited	Inter Media Group Limited	2,500	Digital Content
Nokia Corporation	Nokia Solutions and Networks B.V.	2,483	Mobile

The top 10 largest announced deals in 2013 are presented in the following chart:

The largest announced transaction in 2013 was the merger of Omnicom and Publicis, currently expected to close in Q2 2014. If completed as structured the two companies combined will become the largest advertising company by revenue globally surpassing WPP, the size leader since 1998. The merger reflects the importance of scale, with \$500 million of announced cost synergies, and capabilities particularly in digital advertising and marketing technology.



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The second largest announced transaction was Comcast's earlier than expected buy-in of the remaining 49% stake in NBC Universal Media from GE for \$16.7 billion. This price implies enterprise value multiples for the company of 1.7x LTM revenues and 9.3x LTM EBITDA.

The third largest transaction was the acquisition by Activision Blizzard and an entity comprised of the CEO and Co-Chairman and certain institutional investors, including Leonard Green and Tencent, of a 49% ownership position held by Vivendi for \$8.13 billion or \$13.60 per share, an 11.6% discount to the trading price the day before the announcement.

The remaining largest deals reflect continued private equity interest in the software sector, Microsoft's late entry into the mobile handset business and the acquisition of Springer Science+Business Media by BC Partners from EQT Partners AB and the Government of Singapore Investment Corp. Also, Exact Target, a marketing technology platform company, was acquired by salesforce.com, one of several marketing platform acquisitions in 2013.

## Most Active Acquirers

The top three most active acquirers during 2013 were WPP, Yahoo! and Publicis.

2013 Top Digital Acquirers		
Acquirer	Transactions	Representative Targets
WPP plc	37	Bottle Rocket, Cerebra, ClickMedia, Mutual Mobile, Candyspace, Social Lab
Yahoo! Inc.	28	Tumblr, LookFlow, EvntLive, AdMovate, Lexity, IQ Engines, Instant IO
Publicis Groupe SA	16	Omnicom Group, Engauge, Poke London, netalk, Shift Global
Google Inc.	14	Wavii, Flutter, FlexyCore, Waze, Meka Robotics, Channel Intelligence
Facebook, Inc.	10	SportStream, Mixtent, osmeta, Parse, Atlas DMT, Onavo Mobile
Twitter, Inc.	9	Bluefin Labs, Crashlytics, LuckySort, Spindle Labs, MoPub, Ubalo
Dentsu Inc.	9	Brandcape, NewWorld, Simple Agency, TRIO Digital, Aegis Media
The Interpublic Group of Companies	9	Commonwealth, Zucker, Magnetic Studios, Mnet Mobile
International Business Machines Co	9	Starbelly, Trusteer, Fiberlink, Xtify, Aspera, SoftLayer
eBay Inc.	8	Decide, Iron Pearl, StackMob, Duff Research, Braintree, Shutl
SFX Entertainment Inc.	7	Rock World, Tunezy, Arc90, Beatport, ID&T, i-Motion
Apple Inc.	7	Topsy Labs, Cue, Embark, Matcha, Locationary, Hopstop, Wifislam
Intel Corporation	7	Hacker League, KNO, Stonesoft, Mashery, FlyCast, Omek
<b>Total</b>	<b>170</b>	

WPP was the most active acquirer in 2013 with 37 announced M&A transactions. WPP continues to acquire advertising and marketing agencies and technology firms around the globe. Most of the Agency holding companies, including Publicis, Dentsu and IPG, were also among the most active acquirers in 2013.

The big change in the most active acquirer line-up is Yahoo!, with 28 deals, reflecting the vision of a new CEO and a renewed commitment to re-gaining leadership in both digital media and digital advertising technology. Yahoo's largest announced acquisition of Tumblr for \$1.1 billion (substantially all cash) is primarily designed to grow Yahoo's combined audience to more than one billion visitors monthly.



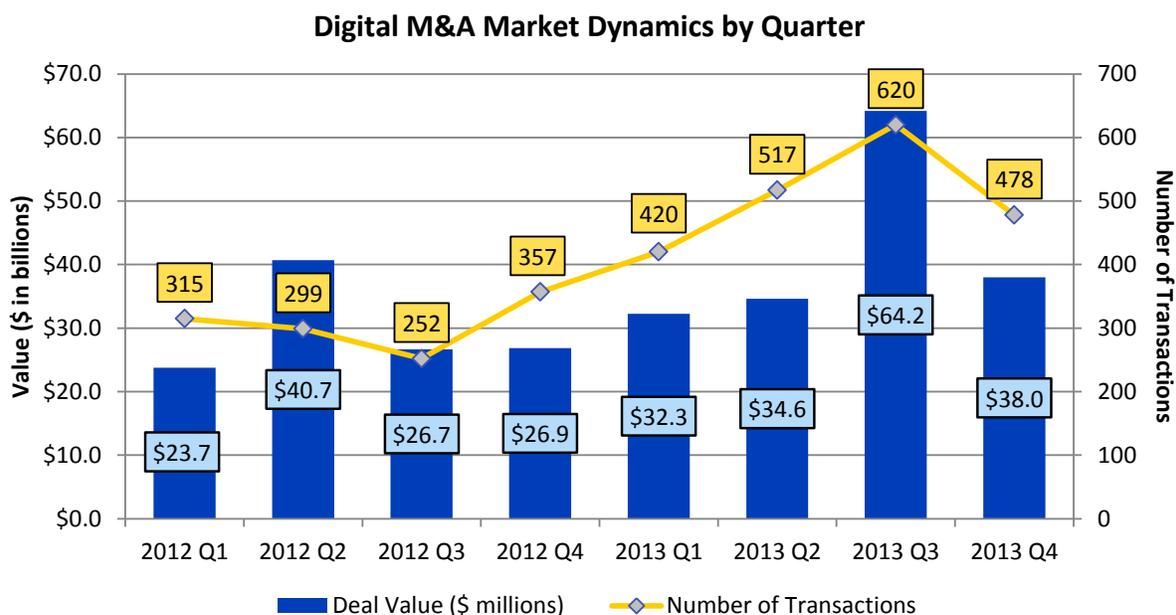
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Tumblr is one of the fastest-growing digital media networks with more than 300 million monthly unique visitors. Yahoo! has also acquired a number of advertising technology companies with a particular focus on mobile and social technologies and services.

Finally, Google (14 deals), Facebook (10), Twitter and IBM (9 each) were among the most active acquirers in 2013. All were active in acquiring mobile technologies and services while IBM has made a number of acquisitions to expand its cloud capabilities.

### Deal Activity Over Time

The chart below presents quarterly M&A deal activity in Digital Media, Information & Technology since 2012 for both number of transactions and aggregate deal value.



The third quarter of 2013 was the most active from the perspective of both number of announced transactions and transaction value. Both the Omnicom/Publicis merger and Activision Blizzard share repurchase from Vivendi were announced in the third quarter.

Deal activity and values increased substantially in the second half of 2013 compared to the first half which was effectively flat from an M&A value perspective with the first half of 2012. There is considerable variability in sector activity level from one quarter to another.



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## Wrap-Up

M&A deal activity in Digital Media, Information & Technology increased approximately 66% in 2013 compared to 2012. Announced deal value increased nearly 40%, all in the second half of the year, compared to a 14% estimated increase in U.S. targeted M&A value for 2013 compared to 2012.

Strategics were the most active acquirers during 2013, representing approximately 74% of announced transactions with purchase price data \$50 million or greater in value. Private equity's share of announced transaction value increased from 20% to nearly 26%, when compared to 2012.

M&A transaction activity in Digital Media, Information & Technology is driven by factors unique to each acquirer and seller and also by competitive dynamics including fundamental shifts in consumer behavior associated with internet usage, mobility and the adoption of social media.

We have written widely on these topics and encourage a visit to [www.coadydiemar.com/resources](http://www.coadydiemar.com/resources) to review our **Deal Maven**, **Media Maven**, **RandomBits** and other publications.

## About Coady Diemar Partners

Coady Diemar is a leading boutique investment banking firm providing mergers and acquisitions, private capital markets and strategic advisory services to growth companies in digital media, information & technology and other industries.

We offer a breadth of transaction experience and expertise, industry knowledge and institutional relationships and provide clients creative solutions and unparalleled access to ideas and capital. We are acutely sensitive to the specific and unique requirements of each client and opportunity.

Visit our website [www.coadydiemar.com](http://www.coadydiemar.com) to learn more about Coady Diemar Partners and to download presentations on digital and traditional media and technology and also the M & A and private capital markets. Contact Colin Knudsen at [colin@coadydiemar.com](mailto:colin@coadydiemar.com) or Chris Ensley at [chrise@coadydiemar.com](mailto:chrise@coadydiemar.com) for additional information or to arrange a meeting.

If you would like to be added to our email distribution list for periodic industry and market commentary, please contact Arian Omid at [arian@coadydiemar.com](mailto:arian@coadydiemar.com).

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