

## Industry Inclusion

The advertising agency industry is highly fragmented, with the top three advertising agencies accounting for less than 30.0% of industry revenue. However, more than 80.0% of agencies have fewer than 10 employees.

### THE SIX TYPES OF RECOGNIZED ADVERTISING & DIGITAL AGENCIES

#### Media Buying Agencies

They buy television and radio time and then resell the time to other agencies and to advertisers.

#### Specialized Agencies

They focus their services within certain industries (e.g. retail, financial services, healthcare) or particular functions (e.g. public relations, research, the internet).

#### Full Service Agencies

They carry out research, create, plan, produce advertisements and select media. They may offer other services such as sales training, sales promotion, and public relations.

#### Creative Agencies

They focus on creating interesting and imaginative advertising themes and create innovative advertisements.

#### Interactive Agencies

They are unique in that they offer services such as web development and web design, internet advertising, ecommerce consulting, and search engine marketing.

#### Social Media Agencies

Do their clients' product promotion on the various social media platforms such as social networking sites, blogs, and discussion forums.

### TRENDS

Digital advertising will remain in a period of rapid growth, growing another 18% worldwide on top of 20% in 2018 into 2019 (eMarketer).

However, that growth will not be evenly distributed. Instead, Facebook and Google will continue to consume more and more of the advertising industry, while digital advertising goes mobile-first.

103% of the industry growth in the United States in the first half of 2018 came from Google and Facebook. Therefore the rest of the digital advertising market actually

shrank by 3%, despite double digit overall market growth. In 2017 eMarketer showed mobile advertising as just over half of all media spend in the United States, but that number jumped to 74% in 2018.

## Factors Affecting Value

### Having an effective performance monitoring system

Ability to show clients the results of their spending and the direct results (on sales and brand awareness) of the company's campaign

### Having upstream & downstream relationships

Good relationships with media buyers and media outlets are required to ensure a good return on investment

### Ability to quickly adopt new technologies

Awareness of new technologies in the industry and general trends in technology, new media and opportunities for advertising

### Ability to compete on tender

Ability to prepare professional proposals for work and accounts to secure contracts

### Ability to produce unique and creative ideas

Unique ideas help agencies secure and retain clients

## M&A ACTIVITY FOR

# Advertising & Digital Agencies

### The industry is in a period of consolidation.

We are forecasting a continued increase in merger & acquisition activity for the balance of into 2019 into 2020 for the advertising industry. The longer an industry consolidates, the fewer the buyers and the lower the values paid to those owners left standing who do not *"strike while the iron is hot"*.

### Missing an industry consolidation is costly.

We have data on 227 closed transactions internationally over 3 years. We also have more specific data on 18 transactions showing multiples ranging from 2.1X to 40.2X recast EBITDA.

As mentioned previously many factors will affect value.

Our data shows, that most closed transactions were a single buyer acquiring one, and one agency only. The market is wide open; yet the industry is consolidating.

In addition to the data on the 227 closed transactions, our internal and proprietary Buyer List for Advertising,

In addition to the data on the 227 closed transactions, our internal and proprietary Buyer List for Advertising, Media, and related companies has 411 international strategic acquirers, 157 Private Equity Group's ("PEG's") that own similar companies, and 264 PEG's that have a stated interest. Our existing total buyer list for Advertising and Media Agencies is 1,059 domestic and international buyers.

**The only way to be sure of the value of  
a private company is to  
confidentially open the market.**

**No one in the M&A professional services  
industry has the depth and breadth of  
experience as eMerge M&A, Inc.**

**No One.**

**Experts in the Sale of Privately-Held Companies**

**eMerge M&A**

295 MADISON AVENUE 12TH FLOOR NEW YORK, NY 10017

[www.eMerge-MA.com](http://www.eMerge-MA.com)