



Capstone Headwaters

MARKETING SERVICES

Q2 2019

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CONTRIBUTORS



Bob Balaban
 Managing Director
 303-792-9400
 bbalaban@capstoneheadwaters.com



Jordan Houtz
 Senior Vice President
 303-962-5782
 jhoutz@capstoneheadwaters.com

MERGER & ACQUISITION OVERVIEW

In 2018, 331 transactions were announced or completed in the Marketing Services industry. Through Q1 2019, deal volume was robust with 92 transactions, compared to 64 in Q1 2018. Acquisitions in the Marketing Services industry have predominantly been completed in the Digital and Direct Marketing segments. Strong deal flow in these segments is indicative of the heightened demand for personalized and targeted digital marketing strategies.

Marketing budget growth remains positive, increasing 5% YOY in February 2019, according to Deloitte's CMO Survey.¹ During the same period, brand and new product introduction spending exhibited the highest growth trajectory, rising 9.3% and 7.7%, respectively. Continued strength in corporate profit margins are poised to drive increased marketing budget allocations and serve as the primary catalyst for industry growth.

Strategic buyers have composed the majority of deal activity, accounting for over 75% of total transactions throughout 2018 and Q1 2019. Larger industry operators have been highly acquisitive, targeting established businesses with strong management teams in order to inorganically expand their services, geographies, and technologies as well as diversify the end-markets they serve. Notably, Taptica International (AIM:TAP) acquired RhythmOne (January 2019), a market leader in multiscreen digital advertising solutions, at an enterprise value of \$162.3 million, equating to 10.7x EBITDA.

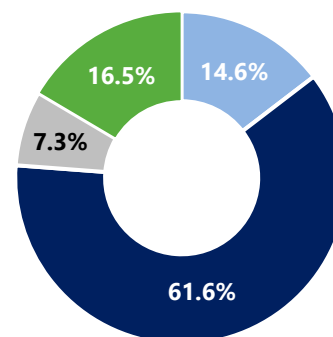
Buyer Breakdown: Marketing Services

STRATEGIC

- Public
- Private

FINANCIAL

- Direct
- Add-on



Source: Capital IQ, Pitchbook, FactSet, and Capstone Headwaters Research



SEGMENT HIGHLIGHT: EXPERIENTIAL AND EVENT MARKETING

1.5% ANNUALIZED INDUSTRY GROWTH, 2019 TO 2024

Experiential and event marketing services have seen heightened demand in the previous five years, growing at a 3.1% annualized rate, according to *IBISWorld*.² Significant industry tailwinds, such as robust corporate profits margins and high consumer confidence levels, have driven industry growth and are expected to support future revenues.

Trade Show and Conference Planning industry growth is expected to reach \$17.6 billion by 2024, growing at an annualized 1.5% during the forecast period. Revenues in the Trade Show and Conference Planning industry are heavily concentrated in exhibit sales and design services, accounting for approximately 47% of industry revenue. Management of optimizing floor space is critical in this segment, requiring a skilled planner to maximize total area, identify high exposure floor spaces, and assist clients in design and installation of their exhibits in order to maximize potential revenues.

Fragmentation in the industry has created an abundance of inorganic growth opportunities, as the four largest operators account for less than 30% of industry revenue. While large agency conglomerates have focused on inorganic growth strategies, there remains an abundance of mid-sized operators.

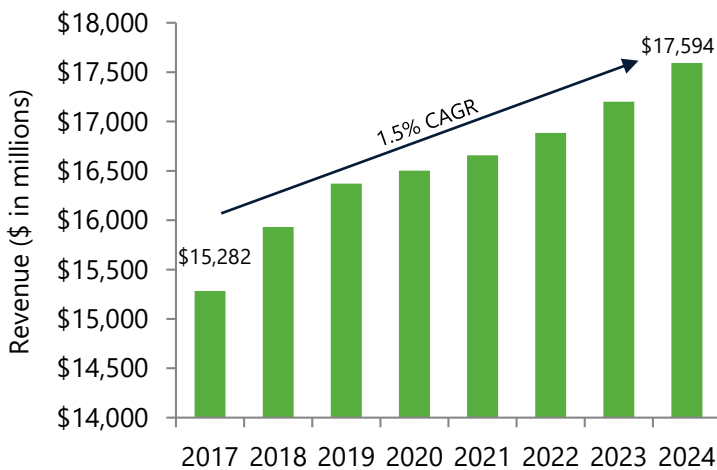
Among industry participants, there are several key investment and operating considerations that have driven

premium valuations in the Experiential and Event Marketing segment. Trade show and conference organizers that successfully integrate and manage their outsourced contractors are poised to effectively control costs and optimize revenue. Effective cost control coupled with the ability to manage trade show seasonality provides a potential acquirer with confidence in the strength of an organizer’s projected cash flow. Another favorable operating practice is the adoption of new technology that decreases direct labor costs and assists in time-sensitive organizational tasks involved in trade shows and conferences.

Strategic buyers have been increasingly active in the space, consolidating to capitalize on economies of scale, geographies, and holistic services. Notably, The Freeman Company, a provider of integrated services for face-to-face marketing and brand buildings events, conventions, and exhibits, acquired Marketing Design Group (MDG) in December 2018 (undisclosed). Based in California, MDG is a full-service agency providing trade show and association marketing services.

“The events business is undergoing a significant transformation — one that requires a sophisticated degree of integration around the convergence of brand strategy, data and content,” said Bob Priest-Heck, president and CEO, Freeman. “Our ability to translate strategy and data into meaningful on-site experiences coupled with MDG’s expertise in translating insights into audience-building marketing campaigns, will enable us to offer organizers a seamless solution that was never before possible.”³

Trade Show & Conference Planning Market



Revenue Segmentation

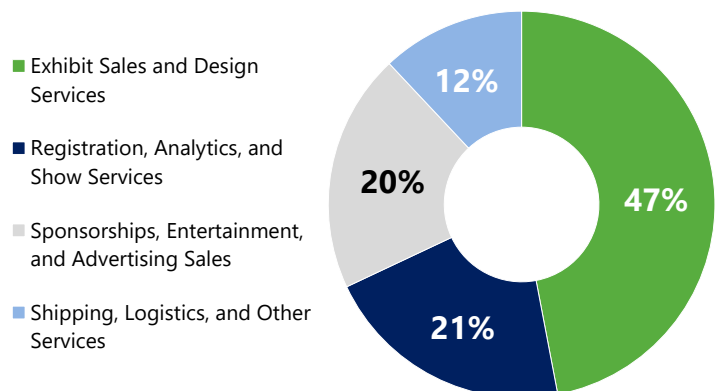


Chart sources: *IBISWorld*



NOTABLE ACQUIRERS

The Stagwell Group Acquisitions

THE **STAGWELL**GROUP

Acquires

The Stagwell Group, founded in 2015, operates as a private equity group focused on investments in the Advertising, Research, Data Analytics, Public Relations, and Digital Marketing Services sectors. Stagwell currently holds 19 portfolio companies and has closed on \$250 million in investment capital and has the ability to use leverage to make up to \$750 million in acquisitions. Stagwell is led by agency and industry professionals, including Founder and President, Mark Penn, a 40 year industry veteran who formerly held positions as a CEO, Chief Strategy Officer, and political advisor.

▶ **MultiView, Inc. (April 2019, Undisclosed)**



The Stagwell Group has acquired MultiView from New York-based private equity firm Warburg Pincus. Founded in 2000, MultiView is a leader in digital marketing solutions for business-to-business (B2B) marketers and publishing solutions for associations. The acquisition is Stagwell's first significant investment in the growing B2B Digital Marketing industry.

"Programmatic advertising is a small but rapidly growing part of the B2B advertising mix today, and MultiView has unmatched products, data and insights to help B2B buyers leverage this offering," Stagwell Group Managing Partner, Mark Penn, said in a press release.⁴

▶ **MDC Partners Inc. (March 2019, \$100 Million)**

MDC Partners

The Stagwell Group has invested \$100 million (~25% stake) in MDC Partners (Nasdaq:MDCA), a global marketing and communications network. Stagwell's CEO, Mark Penn, will join MDC as its CEO and a member of the board. The net proceeds will be used to strengthen MDC's capital structure as well as to provide it with liquidity to invest in high-priority growth areas.⁵

Lieberman Research Worldwide, Inc. Acquisitions



Acquires

Lieberman Research Worldwide ("LRW"), backed by private equity firm Tailwind Capital, provides marketing research consultancy services to over 80 countries. Founded in 1973 and based in Los Angeles, LRW advises its blue-chip client base on strategy, branding, communications, innovation, product development and customer experiences. LRW was acquired by Tailwind Capital in a \$75 million leveraged buyout in 2015.

▶ **Killer Infographics Inc. (January 2019, Undisclosed)**



LRW has acquired Killer Infographics, a full-service visual communication agency which provides visual strategy through motion graphics, interactive experiences, print design, data visualization, infographics, and more. Killer Infographics will integrate under the recently acquired Kelton Research (highlighted below). The acquisition is LWR's sixth in a planned series of acquisitions that follows its inorganic growth strategy to build a leading consultative data analytics and marketing services firm.⁶

▶ **Kelton Research, LLC. (April 2018, Undisclosed)**

Kelton

LRW has acquired Kelton Research, a provider of a full suite of market research tools that assist in branding, innovation, and communications challenges. Kelton's insights and strategy services are highly complementary to LRW's. The acquisition provides Kelton with LRW's operational scale and deep client relationships which will help accelerate Kelton's growth.⁷



SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)
03/29/19	Santy Integrated	Riester	Provides full-service advertising and public relations solutions.	-
03/28/19	Vertical Measures	Investis Digital	Operates as an internet marketing company providing content marketing, promotion, and distribution.	-
03/27/19	Briley Design Group	Halliburton Investor Relations	Engages in developing creative design solutions for branding, marketing, and advertising.	-
03/27/19	MC Communications	Modop	Provides full-service, integrated advertising, public relations, and social media marketing.	-
03/26/19	Assets of Totem Communications	St. Joseph Communications	Creates print and digital products as well as provides content solutions.	-
03/25/19	A2G Management	Duncan-Channon	Provides digital, social, and experiential marketing services.	-
03/20/19	ClientLink	Logan Marketing	Provides integrated marketing communications.	-
03/19/19	Coastal Signage + Wayfinding	MC Sign	Offers exterior and interior branding and wayfinding products and services.	-
03/13/19	This Also	Instrument Marketing	Provides digital marketing services.	-
03/07/19	Springbox	Prophet	Offers digital marketing, strategy, and design services.	-
03/07/19	Emphatic Thinking	Yesler	Provides business-to-business messaging and market research.	-
03/05/19	NichePlus Digital	AMF Media Group	Provides programmatic, search engine marketing, and customized digital campaign strategy solutions.	-
03/05/19	DaCosta Global	CA Fortune Sales & Marketing	Provides sales and marketing services for companies selling on Amazon.	-
03/04/19	Local Projects	MTM Choice	Offers design and production services that integrate physical design with digital media.	\$30.6
02/28/19	Covalent Media Group	Subdirect	Engages in customer acquisition, inbound marketing, and mobile app installs.	-
02/25/19	Hot Tomali Communications	BMGB Capital	Provides mobile, interactive, and traditional marketing, branding, and design.	-
02/22/19	Ideawork Studios	Once Upon A Time London	Specializes in branding, advertising, graphic design and website developing.	-
02/22/19	Intermarket Communications	Lansons Communications	Offers public relations and marketing services, including digital marketing and event planning.	-
02/21/19	Knapp Outdoor Displays	Link Media	Provides outdoor advertising services.	-
02/21/19	Katie Outdoor Advertising	Link Media	Offers outdoor advertising services.	-

Source: Capital IQ, FactSet, and Capstone Headwaters Research



SELECT TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)
02/14/19	51Percent Crypto Research	Delphi Digital	Provides institutional cryptocurrency and blockchain research.	-
02/13/19	Gilbert & Sheppard	HI Innovation	Provides marketing campaigns, direct mail strategy, and print and digital marketing.	-
02/12/19	Beacon Media	ChizComm	Offers media buying, planning, and accountability services for marketing communications.	-
02/12/19	Pulley Project	Artist Uprising	Offers creative marketing solutions to execute social impact initiatives for its clients.	-
02/11/19	Lucey Stepp	Company X	Provides experiential and event marketing solutions.	-
02/11/19	CKR Interactive	TMP Worldwide	Provides advertising services for employment recruiters.	-
02/07/19	PostMark	Salem One	Engages in full-service direct marketing services.	-
02/07/19	Small Army	Finn Partners	Offers research, digital, direct, and experiential and event marketing services.	-
02/07/19	Travelwatch	BranchUp	Provides marketing services to travel and tourism markets.	-
02/05/19	Wingnut	Augeo Affinity Marketing	Provides digital marketing services.	-
02/05/19	Little Arrows	Gradient Experiential	Offers creative, digital marketing services.	-
02/05/19	Digital Brand Architects	United Talent Agency	Provides social media marketing services to digital artists and influencers.	-
02/01/19	Webstreak	Sokal Media	Offers digital advertising services.	-
01/30/19	Robbins-Kersten Direct	BV Investment Partners	Provides fundraising and marketing services including, digital, direct, and research services.	-
01/30/19	Rythm One	Taptica	Operates as an online advertising technology company, providing digital advertising.	\$162.3
01/29/19	GET1FREE	Valassis Communications	Offers direct mail and promotional services.	-
01/28/19	MJM Media	OKD Marketing	Markets and produces radio commercials, jingles, and videos.	-
01/28/19	Catalyst Advertising	Proclaim Interactive	Offers branding, public relations, advertising, and sales promotion services.	-
01/21/19	Mindworx Marketing	ThreeSixtyEight	Provides full-service marketing communications services.	-
01/21/19	AcquireWeb	Claritas	Offers digital marketing services.	-
01/17/19	Anode	Dalton Agency	Provides interactive marketing services.	-



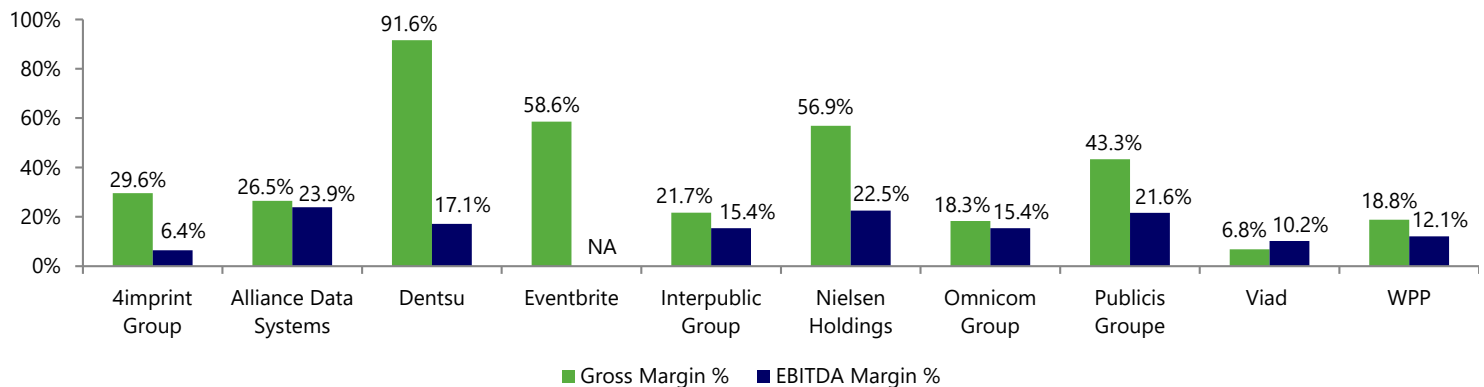
PUBLIC COMPANY TRADING & OPERATING DATA

Company	Price 04/02/19	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
4imprint Group	\$33.45	99.2%	\$937.4	\$909.0	\$738.4	\$47.2	6.4%	1.2x	19.3x
Alliance Data Systems Corp.	\$176.12	70.4%	\$9,334.0	\$30,654.2	\$7,791.2	\$1,864.2	23.9%	3.9x	16.4x
Dentsu Inc.	\$42.38	82.6%	\$11,947.3	\$13,613.1	\$9,283.3	\$1,586.6	17.1%	1.5x	8.6x
Eventbrite, Inc.	\$20.16	50.1%	\$1,579.7	\$1,243.1	\$291.6	NM	NA	4.3x	NM
The Interpublic Group of Companies	\$21.17	82.1%	\$8,148.6	\$11,416.7	\$8,031.6	\$1,239.1	15.4%	1.4x	9.2x
Nielsen Holdings plc	\$24.28	69.7%	\$8,630.3	\$16,689.3	\$6,515.0	\$1,469.0	22.5%	2.6x	11.4x
Omnicom Group Inc.	\$73.62	93.5%	\$16,468.1	\$18,558.9	\$15,290.2	\$2,352.9	15.4%	1.2x	7.9x
Publicis Group S.A.	\$51.60	73.1%	\$11,901.7	\$13,818.4	\$11,393.4	\$2,460.5	21.6%	1.2x	5.6x
Viad Corp.	\$56.82	90.9%	\$1,147.8	\$1,353.3	\$1,296.2	\$132.2	10.2%	1.0x	10.2x
WPP plc	\$10.93	60.6%	\$13,789.0	\$19,614.8	\$19,885.5	\$2,401.4	12.1%	1.0x	8.2x

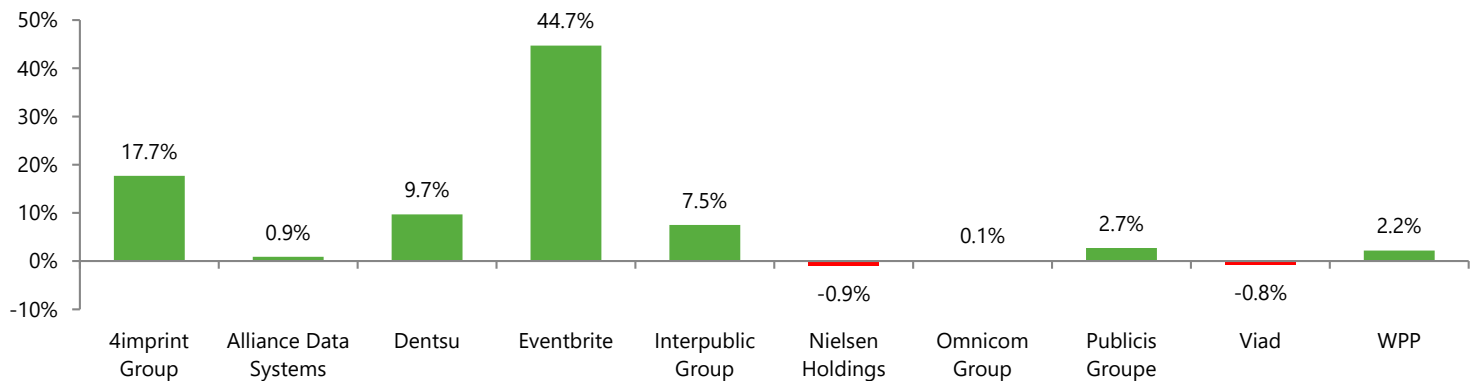
EV = enterprise value; LTM = last twelve months
\$ in millions, except per share data
NM = Not Meaningful

Mean	16.1%	1.9x	10.8x
Median	15.4%	1.3x	9.2x
Harmonic Mean	13.7%	1.5x	9.6x

Last Twelve Month Margin Performance



Last Twelve Month 1-Year Revenue Growth



Source: Capital IQ as of April 2, 2019



FIRM TRACK RECORD

Capstone Headwaters maintains an active Business Services practice in the middle market, with Marketing Services being an important vertical within our focus. This market presence allows Capstone Headwaters to provide marketing companies with experienced, up-to-date market data and access to key decision makers among the industry's most active acquirers and investors.

CONFIDENTIAL

corporate sale

Experiential Marketing

CONFIDENTIAL

corporate sale

Outbound Marketing

CONFIDENTIAL

corporate sale

Marketing Services

CONFIDENTIAL

corporate sale

Experiential Marketing

CONFIDENTIAL

corporate sale

Direct Mail Marketing

CONFIDENTIAL

Buy-side engagement

Market Research Services

CSE

has been acquired by

HALO
branded solutions
a portfolio company of

Andis Group

iLoop mobile

has been acquired by

Lenco Mobile

PRECISION OPINION

has acquired the public health opinion and social sciences division of

SHC Universal

WEBMETRO
Unleash the Power of Digital Marketing

has been acquired by

revana

a division of

TeleTech

Edvisors
Go Higher.

has been acquired by

College Loan Corporation

freeze.com

has issued subordinated debt to

Alta Communications



MARKETING SERVICES REPORT CONTRIBUTORS



Bob Balaban

Managing Director

bbalaban@capstoneheadwaters.com | 303-792-9400

Bob Balaban joined Capstone Headwaters in 2011 and brings over 25 years of investment banking and operating experience. Bob has served as the lead banker on over 75 merger and acquisition transactions primarily in the business services marketplace. He has also been involved with over a dozen startup companies, including Great Plains Accounting Software, Inc., a software company that was ultimately acquired by Microsoft Corp. as well as InaCom Corp., a distribution company that he helped grow to several billion dollars in annual revenue before it was acquired by Hewlett Packard. He has appeared in numerous national business publications, including the *Wall Street Journal* and Fortune Magazine and on national television as an expert in mergers and acquisitions. Bob earned his MBA from the University of St. Thomas and his BS from North Dakota State University and Duke University. He is a Series 79 Registered Investment Banking Representative.



Jordan Houtz

Senior Vice President

jhoutz@capstoneheadwaters.com | 303-962-5782

Mr. Houtz' has over 7 years finance experience spanning retail banking, commercial technology banking, investment banking, venture capital, and private equity offering unique insights for entrepreneurs and investors. He is a driven, successful M&A professional with a demonstrated history of maximizing value for entrepreneurs, executives, and investors. At Capstone Headwaters, he serves as a Senior Vice President on the Business Services Team by advising clients on buy-side, sell-side, capital raising and special situations advisory engagements. His deal experience covers numerous industries including: Business Process Outsourcing (BPO), Education & Training, Staffing, Marketing Services, Promotional Products & Experiential Marketing, Consumer Products, Transportation & Logistics, Technology, and Food & Beverage, among others. In 2017, Jordan was awarded the 8th annual emerging leaders award by the M&A Advisor. Jordan received his BS in Finance from the University of Utah and is a Series 63 and 79 Registered Securities Representative.

2019

THE M&A
ATLAS
AWARDS

GLOBAL MID-MARKETS
BOUTIQUE INVESTMENT
BANK OF THE YEAR

2019

THE M&A ADVISOR
TURNAROUND AWARDS

INVESTMENT BANKING FIRM
OF THE YEAR

2018

THE M&A
ATLAS
AWARDS
AMERICAS

M&A INVESTMENT BANK
OF THE YEAR

2018

ACC5 Global
Awards
2018

US - DEBT FINANCING
ADVISORY OF THE YEAR



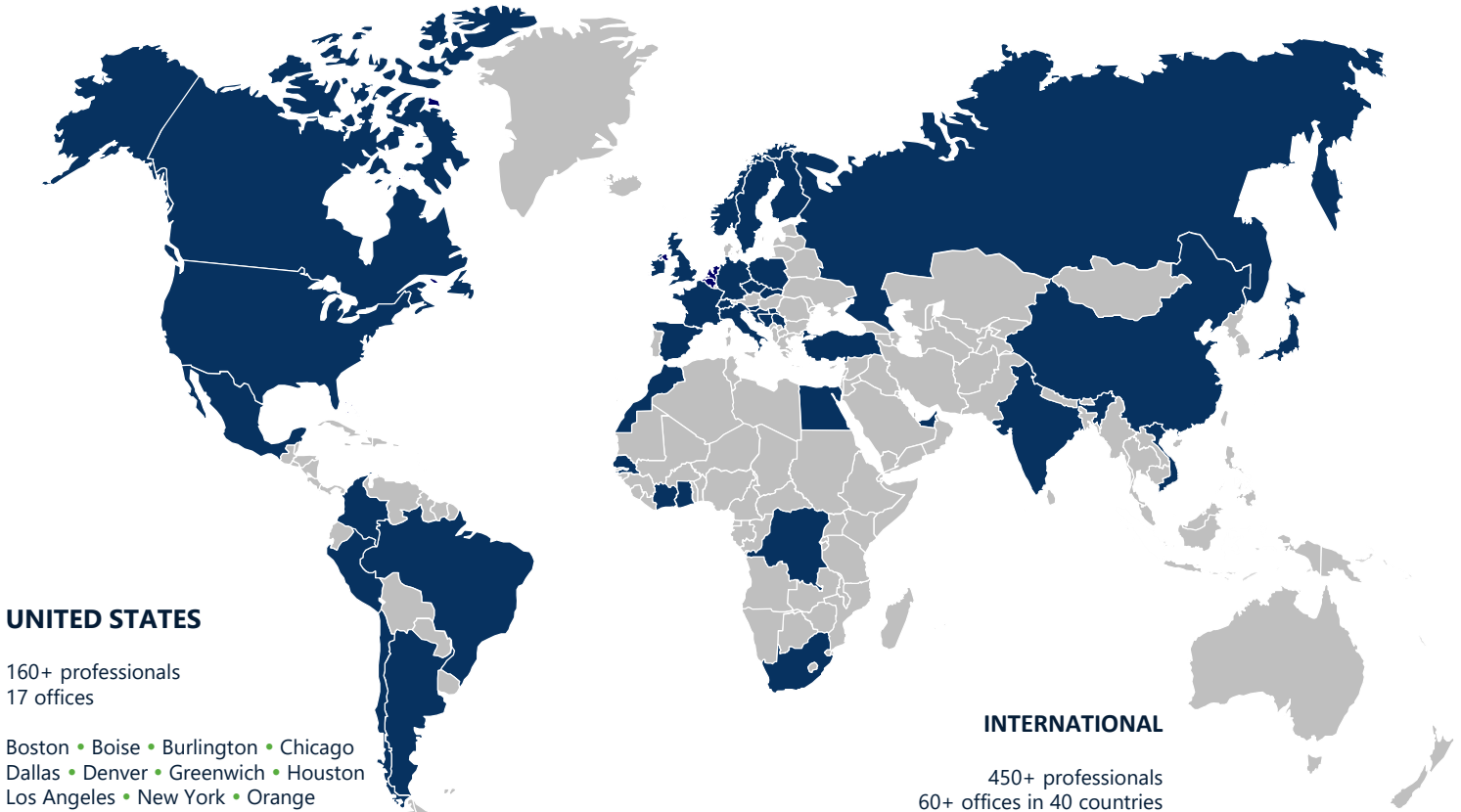
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BUILT FOR THE MIDDLE MARKET



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Spain • Sweden • Switzerland • Turkey • United Kingdom

Capstone Headwaters is an elite investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Capstone Headwaters provides merger & acquisition, private placement, corporate restructuring and financial advisory services across 16 industry verticals to meet the life cycle needs of emerging enterprises. Headquartered in Boston, MA and Denver, CO, Capstone Headwaters has 19 offices in the US, UK and Brazil with a global reach that includes over 450 professionals in 40 countries.