

Public Market Perspectives.

July 2020

The logo for JEGI CLARITY, featuring the text "JEGI" stacked above "CLARITY" in a bold, white, sans-serif font. The text is enclosed within a white, stylized frame that resembles a corner bracket or a partial square.

**JEGI
CLARITY**



Media, information & technology: public market perspectives

Key Takeaways

1

Total equity market value up by 8% since January 2020



The Media, Information & Technology public equity markets continue to perform strongly, **with total market value up by 8%** since January 2020 against a backdrop which has seen other benchmark indices fall 5 – 15%

2

2020 EBITDA outlook revised down by aggregate \$65bn



This growth in total market value has been achieved despite uncertainty around 2020 outlook which currently shows a material decline in the 2020 earnings; notably current 2020 **EBITDA market estimates have come down by \$65bn** since January 2020

3

Average 12% revenue growth forecast for 2021 across sectors



From a valuation perspective, it feels clear that investors are looking through the 2020 numbers and **pricing in a strong recovery across virtually all sectors, with 12% total market revenue growth forecast** for 2020

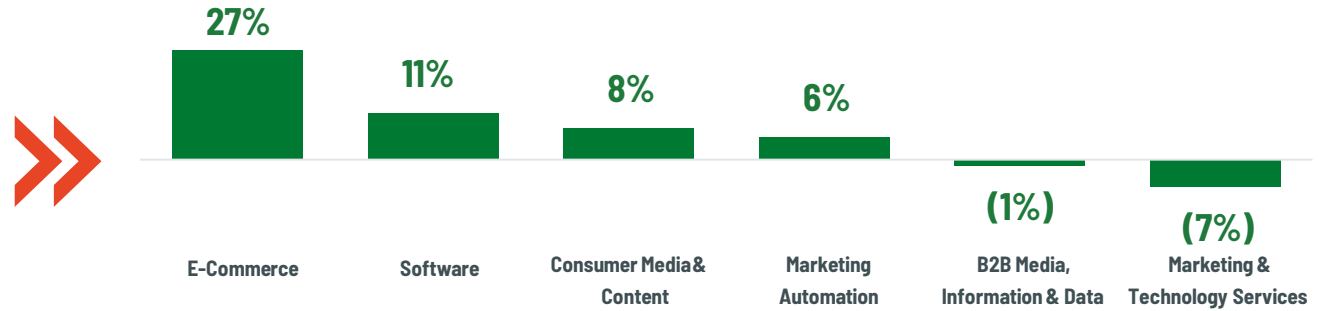
From an M&A perspective, whilst the valuation environment remains opaque, it is clear that the strong stock prices which many corporates have sustained through this period will be highly relevant in terms of deal pricing, consideration and structure

MEDIA, INFORMATION & TECHNOLOGY: PUBLIC MARKET PERSPECTIVES

MARKET CAPITALISATION

From 31 Jan 2020 - 30 June 2020

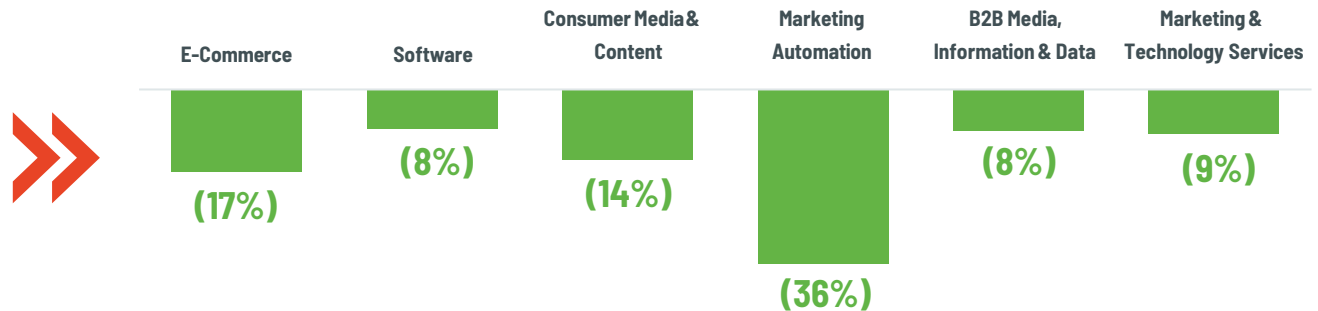
The total equity market value of the Media, Information & Technology sectors has grown by 8% since 31 January 2020...



FY20 EBITDA

Change in FY20 Outlook since 31 Jan 2020

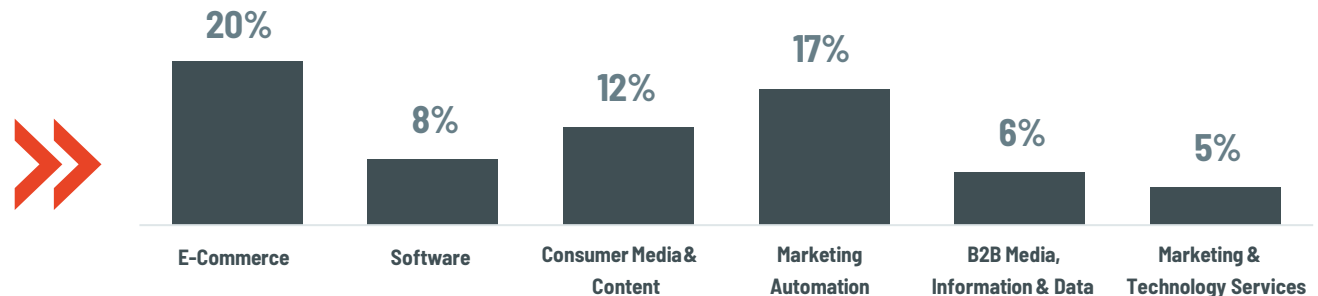
...despite the 2020 earnings outlook having worsened across all sectors, in some cases materially



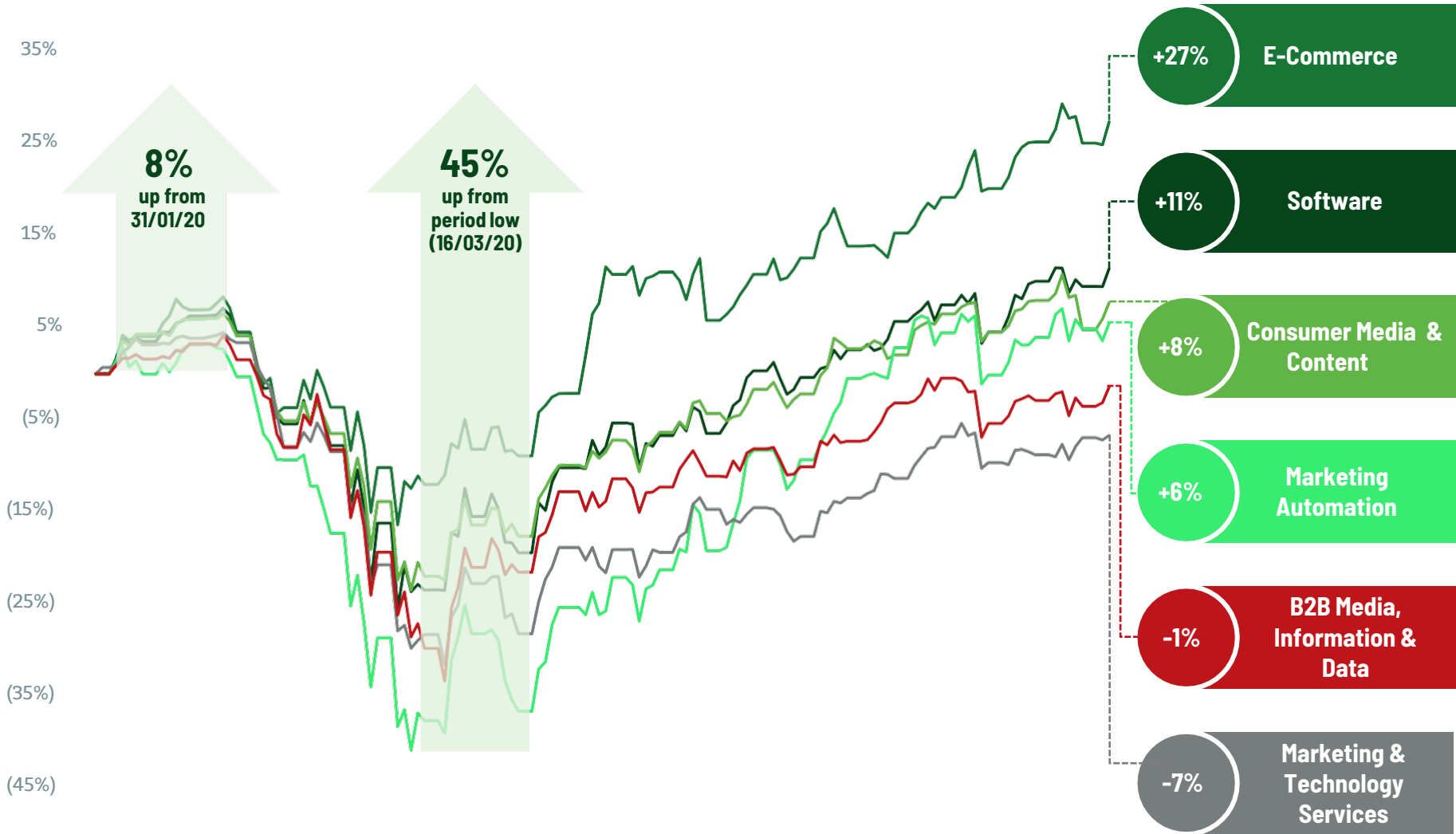
FY21 REVENUE GROWTH

Current FY21 vs. FY20 Forecast

Current market forecasts are showing recovery and, in many cases, strong revenue growth in 2021 vs. 2020



THE TOTAL MARKET VALUE OF THE MEDIA, INFORMATION AND TECHNOLOGY SECTORS HAS INCREASED BY 8%¹ SINCE 31/1/20



Notes:

1. 13% increase including FAANGs, 8% excluding FAANGs

...ALTHOUGH THERE HAVE BEEN MATERIAL DIFFERENCES IN PERFORMANCE ACROSS THE DIFFERENT SUB-SECTORS

B2B Media, Information & Data

Index Value \$292bn

1%

Marketing & Technology Services

Index Value \$603bn

7%

Marketing Automation

Index Value \$49bn

6%

Consumer Media & Content

Index Value \$2,207bn

8%

E-Commerce

Index Value \$2,325bn

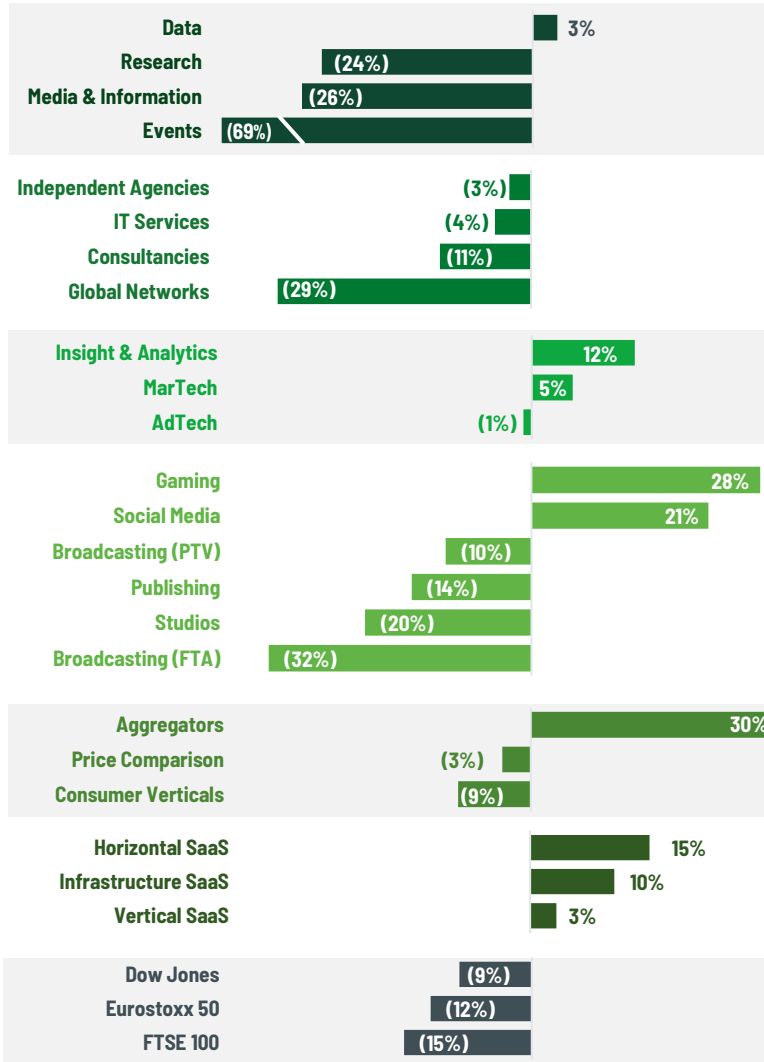
27%

Software

Index Value \$2,911bn

11%

Benchmark Indices



- Amidst the public market turbulence which has seen benchmark indices fall by 5 - 15%² in the last five months, the Media, Information and Technology sectors have performed strongly as a whole
- Excluding FAANGs, total market value (TMV) for these sectors has grown by 8% since 31/1/20, whilst including FAANGs, growth in TMV has been 12% (\$912bn).
- The Software sector has performed strongly, up 11% (\$299bn of TMV) over the period, with each of the Vertical, Horizontal and Infrastructure SaaS sub-sectors having increased in value over that time.
- Other sub-sectors have also performed strongly, notably those perceived as directly benefiting from the current environment such as Social Media, Gaming and E-Commerce Aggregators, up 21%, 28% and 30% respectively.
- Unsurprisingly, there have, however, been clear losers in terms of market value, in particular sub-sectors in which:
 - in-person engagement is a key component of the delivery solution (e.g. Events, down 69%) or sector value chain (e.g. PTV Broadcasting and Studios, down 10% and 20% respectively);
 - end-user spend is perceived as either cyclical and/ or heavily project based (e.g. Global Networks and FTA Broadcasting, down 29% and 32% respectively)

1. \$912bn increase including FAANGs, \$464bn excluding FAANGs
 2. Benchmark indices being Dow Jones, Eurostoxx 50 and FTSE 100

THE 2020 EBITDA OUTLOOK HAS WORSENERD FOR VIRTUALLY EVERY SUB-SECTOR...

B2B Media, Information & Data

FY20 EBITDA \$18bn

8%

Marketing & Technology Services

FY20 EBITDA \$60bn

9%

Marketing Automation

FY20 EBITDA \$1bn

36%

Consumer Media & Content

FY20 EBITDA \$169bn

14%

E-Commerce

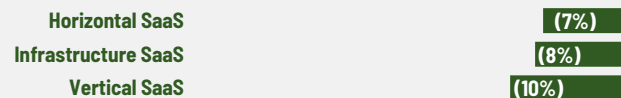
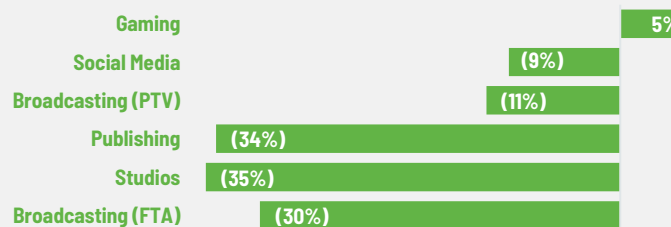
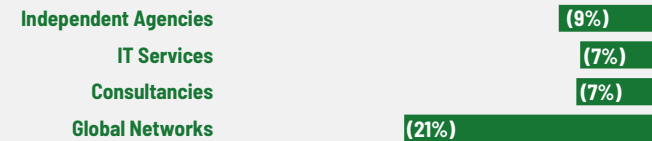
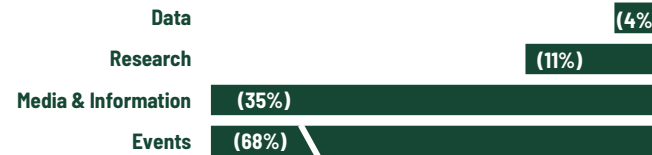
FY20 EBITDA \$78bn

18%

Software

FY20 EBITDA \$144bn

8%



- Looking at how 2020 EBITDA forecasts have changed over the same period, shows a more mixed impact on these sectors, and limited correlation with the change in TMV
- Whilst the TMV for many sectors has remained stable or grown, the underlying FY20 earnings forecasts for virtually all sectors have been, and continue to be, downgraded – a cumulative EBITDA downgrade to date of \$65bn
- For example, whilst Social Media has seen a 21% increase in TMV, 2020 EBITDA outlook has seen a 9% decrease as a result of a significant reduction in demand for advertising and a related decline in ad pricing, despite higher user engagement metrics
- Similarly, whilst the Software sector has seen an 11% increase in TMV, and earnings have remained resilient, 2020 EBITDA forecasts for the sector are nonetheless down by 8%
- The only sectors so far have seen upgrades in FY20 EBITDA are Gaming, a sector which has clearly benefited with Revenue and EBITDA forecast increasing by 3% and 5%, and Insight & Analytics
- Whilst it is worth recognising that with many companies finding it difficult to provide firm guidance for 2020, these forecasts are less robust than usual, it still feels clear that the public markets now are looking through the 2020 uncertainty into a strong 2021 recovery

HOWEVER, CURRENT MARKET FORECASTS ARE SHOWING RECOVERY AND, IN MANY CASES, DOUBLE-DIGIT REVENUE GROWTH FOR 2021 VS. 2020

B2B Media, Information & Data

FY21 Revenue \$59bn



Marketing & Technology Services

FY21 Revenue \$419bn



Marketing Automation

FY21 Revenue \$11bn



Consumer Media & Content

FY21 Revenue \$640bn



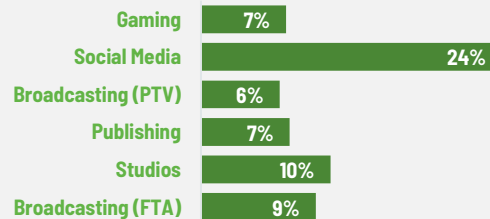
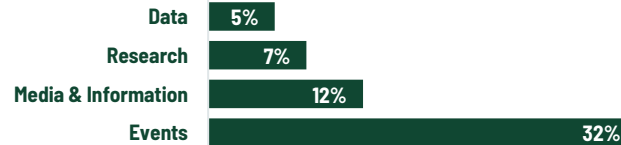
E-Commerce

FY21 Revenue \$704bn



Software

FY21 Revenue \$488bn



- Current market forecasts are for strong 2021 revenue growth across virtually all Media, Information and Technology sectors, driven by a belief in underlying growth across many sub-sectors and a “bounce-back” in revenues in those sectors most severely affected in 2020
- Total revenue growth from 2020 to 2021 is forecast at c.12%, representing an aggregate increase in revenues across all sectors of close to \$250bn, with double-digit percentage growth expected across many sub sectors
- Looking at 2021 revenue forecasts versus 2019, the strongest revenue growth of 20% is expected for E-Commerce driven by underlying growth of 19% at Marketplaces & Aggregators such as Amazon and a re-bounce in consumer spend at verticalized E-Commerce providers such as ASOS (fashion), Haku (travel) and Expedia (travel) driving growth of 40%
- Consumer Media & Content is forecast to be the second highest performer with growth of 12%; whilst continued growth at Social Media is a key driver of this, both Studios and Broadcasters are expected to recover strongly in 2021 vs. 2020 as content production comes back online
- Many sub-sectors which have been significantly downgraded for 2020, for example, Events and Global Networks are forecast to bounce-back strongly (32% and 7% respectively)

JEGI CLARITY – UNPARALLELED EXPERTISE ACROSS THE MEDIA, INFORMATION AND TECHNOLOGY SECTORS

M&CSAATCHI
HAS SOLD THE REMAINING 24.8% STAKE IN
△ BLUE 449
TO
PUBLICIS GROUPE

design studios
design group
HAVE BEEN SOLD BY
MO
TO
CLARION EVENTS
A PORTFOLIO COMPANY OF
Blackstone

FUSEFX
HAS BEEN SOLD TO
EAGLETREE CAPITAL

CHIME
A PORTFOLIO COMPANY OF
PROVIDENCE EQUITY
HAS SOLD
OPEN HEALTH
TO
AMULET CAPITAL and **peleton advantage**

DEPT
A PORTFOLIO COMPANY OF
WATERLAND
HAS BEEN SOLD TO
THE CARLYLE GROUP

HS
HAS BEEN SOLD TO
Accenture Interactive
Part of Accenture Digital

Dennis
HAS BEEN SOLD TO
Exponent

jkr
HAS RECEIVED INVESTMENT FROM
gop

KIMBLE
HAS RECEIVED INVESTMENT FROM
AKKR

MEDIA MONKS
HAS MERGED WITH
S4 CAPITAL

selligent
HAS BEEN SOLD TO
HGGC

FC Business Intelligence
A PORTFOLIO COMPANY OF
LDC
HAS BEEN SOLD TO
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