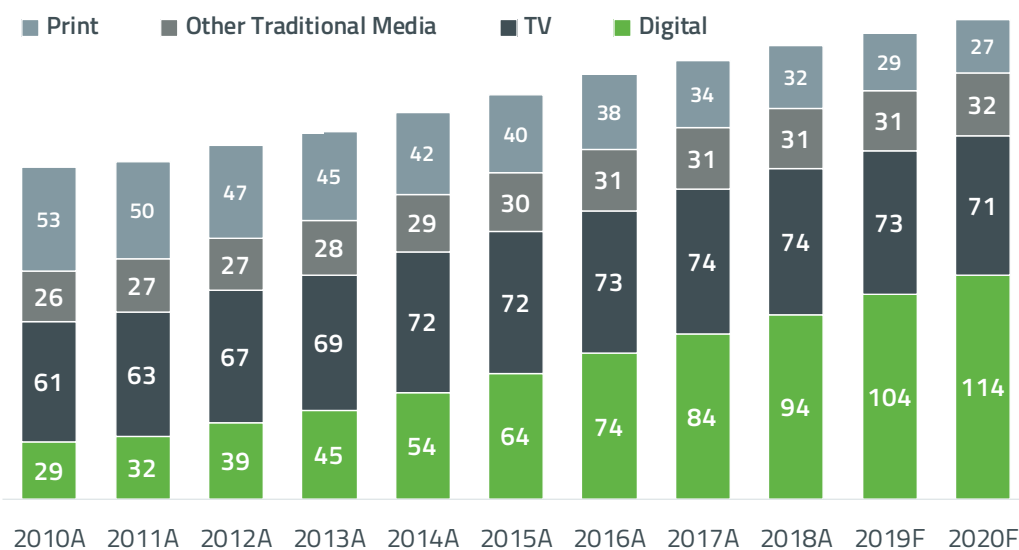


DIGITAL MARKETING IN FOCUS

In this month's M&A Digest we examine the digital marketing industry including the key current drivers of growth, why brands are increasingly 'In-Housing' and global M&A activity in the sector.

UK AND US AD REVENUES BY MEDIA TYPE 2010A - 20F, \$BN CURRENT PRICES



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- 1 Digital Marketing In Focus
- 2 Deal Spotlight: Brainlabs
- 3 News and Events
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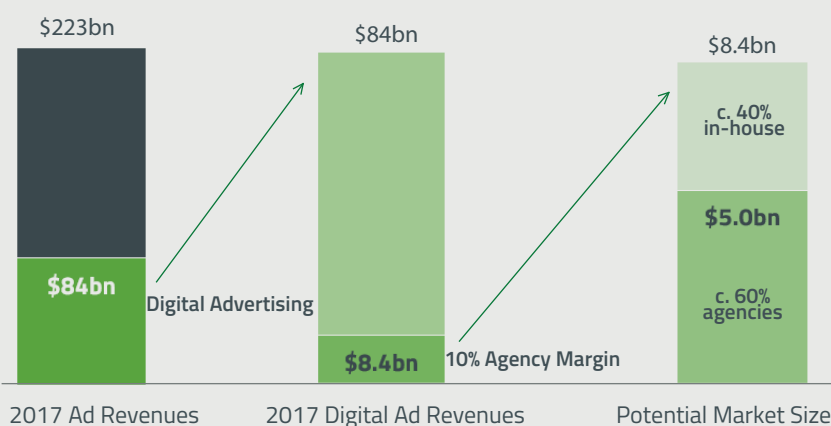
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ESTIMATED \$5BN ADDRESSABLE MARKET FOR UK & US DIGITAL ADVERTISING AGENCIES

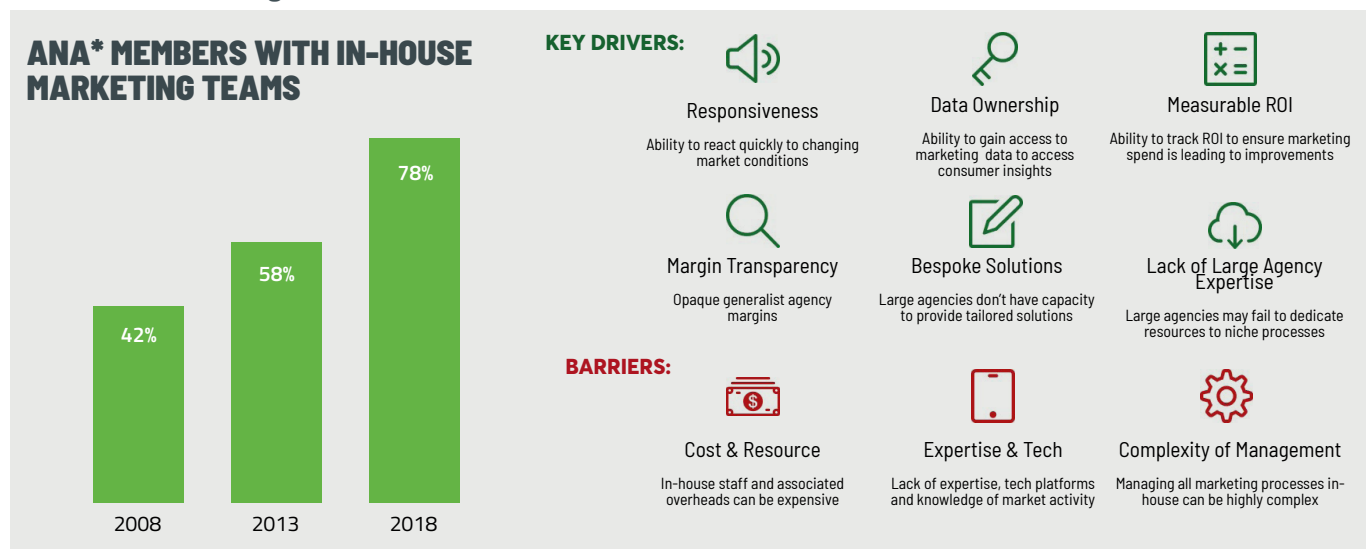


DIGITAL MARKETING GROWTH DRIVERS

- c.47% of UK & US ad spend is digital, up from 17% in 2010
- Stability in digital ad spend due to measurable ROI and CTR¹
- Digital ad prices are rising – CPM² on Facebook from \$4.3 to \$9.1 and CPC³ on Google from \$1.6 to \$2.7 between 2015 and 2018
- More relevant ad space is available due to media digitisation
- Consumers spend increasing time online with access to more digital products
- Tech development are opening new opportunities for digital marketing
- Companies are developing in-house capabilities

IN-HOUSING HAS BEEN A HOT TOPIC IN BOARDROOMS

Brands are seeking greater control of digital marketing as this is increasingly viewed as a sales channel as much as a marketing channel.



GLOBAL M&A ACTIVITY INCREASING IN PERFORMANCE MARKETING

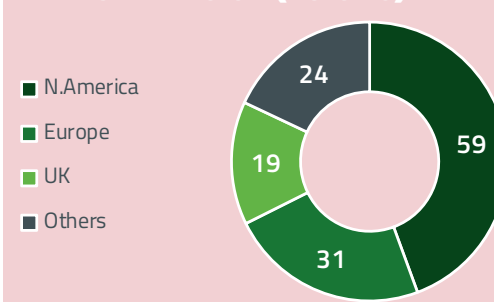


- Global M&A activity in performance marketing services has increased in recent years. The growing digitalisation of media and rising digital ad costs are driving consolidation in the sector.
- Whilst the Global Networks continue to be most acquisitive in this space, consultancies (such as Accenture) and PE-backed platforms (such as Elite SEM and Wpromote) were also prominent.
- We expect M&A to remain active in 2019 with several acquisitions already announced including the investment in leading technology-led marketing agency, Brainlabs, by private equity fund Livingbridge (JEGI | CLARITY advised Brainlabs on this transaction).

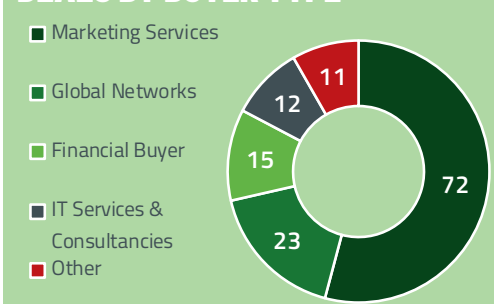
KEY ACQUIRERS



DEALS BY REGION (2016-18)



DEALS BY BUYER TYPE



*Association of National Advertisers

Sources: Clarity research

Note: CIL Consultants research was used in the production of this report. CIL Consultants supported Brainlabs by conducting commercial Vendor Due Diligence

DEAL SPOTLIGHT: BRAINLABS

This month, tech-led digital marketing agency Brainlabs received significant investment from UK private equity firm Livingbridge, in a deal that JEGI CLARITY advised on. We interview Daniel Gilbert, CEO of Brainlabs to learn more about both the drivers behind this transaction and his views on the market Brainlabs operates in.

What do you see as the challenges are you solving on behalf of your clients?

The main challenge we are trying to solve for clients is helping them grow, with a specific focus on growing their business online. We are doing so in a medium that is becoming ever more expensive and our clients fight for attention in an increasingly diverse marketplace. In comparison to linear TV, which has a limited number of channels, there are potentially millions of ways to reach target customers online. The challenge for our clients is to communicate effectively through the right channels to drive engagement with their business.

Who do you see as your competitors, how do you differentiate and how has your competitive set changed since you started the business?

Our biggest competitor is ourselves. We are operating in a growth market with thousands of people who in one way, shape, or form could be considered as competitors. When you consider our diverse client set and the number of people who offer services that overlap with us, it becomes impossible to think of any specific entity as a competitor. We could be competing with a freelancer one day and a global multinational conglomerate the next. There is not much uniformity to this.

In such a fragmented services marketplace I have always found that rather than an obsession of what competitors are up to, the best course of action is to listen to clients about what they want and build a proposition around that.

As a UK headquartered business, are you seeing any impact from 'Brexit'?

The current uncertainty has impacted select clients as well as staff members. We, like everyone else, are not clear as to what all of the implications are, and this brings with it an unwelcome amount of uncertainty of what working life will look like after Brexit.

In its current format Brexit is not a positive force for the business, but at the same time it is business as usual for us. We have diversification in our portfolio of clients, and we can operate internationally, with a roadmap to becoming global. We are a growing, agile, nimble business so whatever happens we are confident we can respond quickly to the new world if it is drastically different.

What do you see as the opportunities in the industry that you are benefiting from and the challenges as an independent?

Being independent is hugely advantageous. We are not

restricted to do things a certain way or in conjunction with other parties.

In terms of the industry, the fact that we are technology led in this relatively new digital world is part of what explains our growth. We continue to compete with the incumbent network agencies who still manage the vast share of global media spend. However, their business was built around TV which digital has disrupted drastically over a very short period of time.

We benefit from the fact we are building not restructuring. Whilst the incumbents undergo both costly and lengthy restructuring of their business offering, we as a truly modern, digital-first agency are able to move faster and deliver better results for our clients.

“

We benefit from the fact we are building not restructuring... as a truly modern, digital-first agency we are able to move faster and deliver better results for our clients.

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Why now for this deal?

We are going through the biggest shift in the advertising industry for 30 to 40 years. There is huge distrust between clients and their agencies. At the same time there are very few independents of scale in the UK or internationally, which presents a fantastic opportunity to gain market share.

Given the incredible growth in the business in recent years and the incredible team we have built, we are well positioned to be one of these new global players. Through this deal we are able to continue and accelerate that trajectory.

What attracted you to Private Equity?

Our ambition is to build the biggest independent in the world and we needed a partner to back our M&A driven plan. Private equity invest in businesses as their day job. The operational and investment experience will enable us to continue the professionalisation of Brainlabs as well as overcome other barriers to growth.

There are strategic value-adds that you may unlock from other types of partners such as infrastructure and client access, but we feel we have a pretty good shot at these anyway. Equally the prospect of going into one of the incumbents, who are facing challenging times and something of a downturn collectively, in my mind at this point in time, did not offer the same opportunity to deliver on our plan.

In addition, we all love what we do and the culture that we have built. Our private equity partner is absolutely behind this. Another type of partner may not have offered the same. Simply put, I get to work with the same people and everything

I enjoy I get to carry on doing. I don't have to take on anything that brings uncertainty to the business nor do I have to rely on operating in a larger corporate structure. All I really wanted to do was to carry on doing what I'm doing with the same level of autonomy, realise some sort of capital value from all the hard work the team has put in to date and have shares in a bigger entity that continues to grow.

What is the strategy for the business looking ahead, where will you look to invest from a territory, size and capability perspective?

Our three-year plan is to grow to ten times our current size. To achieve this, we aim to complete multiple 'mergers' with complimentary businesses in addition to driving our organic growth.

Central to this is widening our suite of capabilities. We want to be able to deliver solutions across the full digital services economy as such we will be targeting areas like SEO, analytics, CRO, content and production.

From a territory perspective our principle focus is on companies based in the UK and US with international presence. Eventually once this plan has been delivered, we will look to create a fully global platform.

With the benefit of hindsight what were the key learnings you'd pass on to anyone considering taking on board private equity investment?

Extensive referencing. I did over fifty cold reference calls to CEO's of private equity backed businesses and you learn a huge amount from this beyond simply what the private equity investors are like, you also learn about the industry as well.

You have to think about this as the most important strategic hire you'll ever make in your business history, you are bringing on a partner.

Likewise look at any potential investor's track record. Our chosen partner was exceptional in the market and they have a great reputation. We saw this consistently throughout our engagement with them. They were smart, driven, enthusiastic, supportive people throughout the process and ultimately that led to us wanting to work with them.

“

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NEWS AND EVENTS



Clarity attended Mobile World Congress in February. Held in Barcelona, each year this conference sees the largest global gathering of the mobile technology industry. Over 100,000 attend this four-day event including the usual array of high-profile speakers, companies and technologies. This year's event saw sunny skies over Barcelona in stark contrast to the sub-zero conditions of 2018.

COMPANIES TO WATCH

- Ogury - 'mobile journey marketing' provider
- Riaktr - Belgian big data and analytics provider, PE backed
- Fibonad - Madrid HQ'd tech-led advertising media company
- Whisbi - B2C conversational sales & marketing platform

KEY THEMES EXPLORED

- Headline theme: 'Hyper-connectivity'
- 5G and the implications for virtual reality, driverless cars and the internet of things
- 'The foldable phone'
- Programmatic Advertising: the opportunities offered from 5G:
 - Mobile Ad spend set to increase
 - Increased connectivity will lead to more video consumption
 - Challenges remain in terms of tracking ROI and viewability

SELECT SPEAKERS

- Guo Ping, Chairman, Huawei
- Chua Sock Koong, CEO, Singtel Group
- Mike Sutcliffe, CEO, Accenture Digital
- Nick Read, CEO, Vodafone



CLOUD EXPO EUROPE

Clarity attended Cloud Expo Europe in March. Held in the ExCeL centre in London, the UK's largest tech gathering saw the world's top suppliers such as IBM, Citrix, and Samsung gather to share industry insights and trends.

COMPANIES TO WATCH

- Platform.sh - Paris HQ'd automated cloud hosting solution, VC backed
- Flat Rock Technology - UK HQ'd web and software development outsourcing provider
- Opsview - UK based Cloud and infrastructure monitoring business
- ECS - UK IT services provider

KEY THEMES EXPLORED

- DevOps, Containers and Cloud Native
- Connectivity:
 - 5G, Edge-Computing, SD-Wan, Automation,
 - Orchestration, Seamless Workflows, Visibility and Analytics
- Infrastructure, Storage and Virtualisation
- Multi-Cloud Strategy & Management

SELECT SPEAKERS

- Michael Wignall, CTO UK, Microsoft
- Neil Briscoe, CTO, Cloud Gateway
- Bruce Daisley, VP EMEA, Twitter
- John Johnson, CTO, UK Commercial Cisco

UNLEASH

The 5th Annual Spring UNLEASH Conference & Expo took place at the ExCeL Centre in London. The London event gathers a community of thousands of decision-makers, visionaries, technology buyers, and disruptors and product vendors from across the Human Capital Management sector.

KEY THEMES EXPLORED

- Brexit contingency planning
- People migration
- Advances in AI
- Digital transformation

COMPANIES TO WATCH

- Peakon - SaaS Employee Engagement Platform
- Beamery - talent engagement platform
- AppLearn - digital adoption platform
- Hibob - Tel Aviv HQ'd SaaS HR management provider, backed by Battery and Bessemer Ventures
- Perkbox - UK HQ'd employee and customer engagement platform, VC backed

SELECT SPEAKERS

- Cal Henderson, Co-Founder and CTO of Slack
- Cassie Koszyrkov, Chief Decision Scientist at Google
- Johnny Sanchez, Global Talent Operations at Netflix

WE LOOK FORWARD TO ATTENDING OMR AND RETAIL EXPO



We look forward to attending OMR in May. Bringing together 50,000 industry professionals from the world of ad-tech and digital marketing OMR is one of Europe's most talked about events.

Part expo, conference and festival OMR's two day event houses 300+ exhibitors as well as insight from industry leaders and pioneering companies.

If you are at the event and would like to arrange a meeting please



We look forward to attending Retail Expo in May, the Retail Expo is Europe's leading event for the retail ecosystem.

The Retail Expo Tech Zone specifically focuses on retail technology solutions, insights, innovations and more.

If you are at the event and would like to arrange a meeting please contact our BD Director Jonathan Goodale via email [HERE](#).

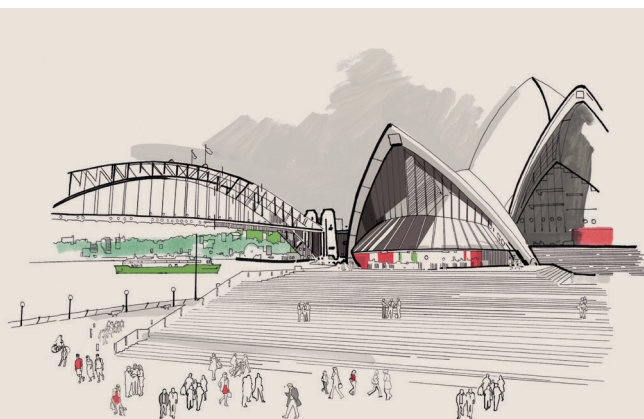
HEY, DID YOU SEE THIS?

TRIBE RAISES AUD\$10.5M TO FUEL US EXPANSION

March 26, 2019

Tribe, an Australian online marketplace for brands, social media influencers and content marketing specialists has raised \$10.5 million in external funding as it seeks to crack the potentially lucrative US market.

[Read Article](#)



FISCHERAPPELT ACQUIRES PHILIPP UND KEUNTJE

March 27, 2019

German creative shop PUK joins the agency group to strengthen its brand management offer.

[Read Article](#)

ADTHENA RAISES \$14M SERIES A FROM UPDATA PARTNERS

March 13, 2019

The investment will accelerate Adthema's growth across the US and internationally, while strengthening the product development of its paid search AI platform.

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