



Solganick & Co.

Technology and Digital Media
Investment Banking + M&A Advisory

Digital Media M&A Update

Q4 2017

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Solganick & Co.'s Digital Media Investment Banking group covers sub-industry sectors including marketing and ad tech, eCommerce/Internet, digital and advertising agencies, video game software, digital media software, and digital media conglomerates.

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Sources for our research and data include: PitchBook, MergerMarket, Wall Street Journal, Company Websites, SEC Filings, Bloomberg, TechCrunch.



M&A Market Brief

M&A activity in the digital media sector during 2017 remained strong when compared to total M&A activity, led by eCommerce platforms.

Worldwide

Global M&A activity during the fourth quarter of 2017 decreased 3.2% on that achieved in 2016. However, this marks the fourth consecutive year in which global M&A has broken the \$3 trillion barrier.

Global deal value for Q4 2017 rose to \$876 billion from \$724.3 billion in Q3 2017. The 2017 average deal size was \$352.9 million.

The technology sector hit its highest annual deal count at 2,569.

Cross-border M&A activity was a consequential part of global M&A activity in 2017. There were 6,459 cross-border deals worth \$1.32 trillion. It's share of global M&A percentage stood at 41.9% in terms of deal value and 35.1% in terms of deal count. Seven of the top ten largest deals announced were cross-border, the largest being British American Tobacco's \$59 billion takeover of Reynolds American.

United States

United States M&A activity during the fourth quarter of 2017 decreased 29.7% on that achieved in 2016. This is because there were 170 fewer deals in Q4 2017 than in Q4 2016. **The U.S. accounted for 40.2% of global M&A deal value,** the lowest percentage since 2013.

United States deal value for Q4 2017 rose to \$352.8 billion from \$294.3 billion in Q3 2017.

The United States saw its second year of overall value decreases since the record highs of 2015, at the end of which interest rates were finally raised for the first time after the 2008 recession. Multiple blocks by the Committee on Foreign Investments in the US (CFIUS) have been made in 2017, convincing many large Chinese companies to take their money elsewhere. However, Congress's recently passed tax legislation, which includes a cut to the US corporate tax rate, has fueled talks about how savings might be spent to further M&A transactions within the US.

Digital Media

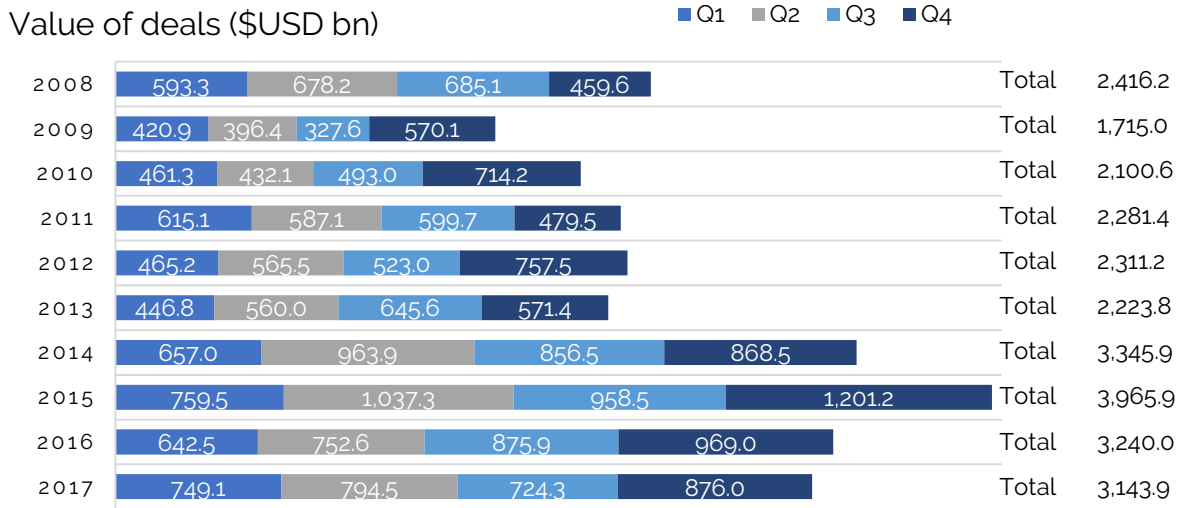
In the marketing, media, and technology industries, digital media/commerce was the most active segment for M&A in 2017, with 1,319 deals and a total deal value of \$92.5 billion. Digital media/commerce was also the most active segment during Q4, with 438 investments or transactions totaling \$45.2 billion and 60% of aggregate reported deal value.

Within the digital media sector, eCommerce was the most active subsegment during Q4. For this subsegment, deal number dropped 13% when compared to Q4 2016, but deal value increased by 18%. ECommerce was followed, in order, by mobile content, digital marketplace, social media, gaming, niche content, and other.

2017 recorded the announcement of numerous billion-dollar deals, including Discovery-Scripps, Disney-Fox, and Meredith-Time. These megadeals should force smaller media players such as Viacom, Lionsgate, and MGM to look for consolidation opportunities.

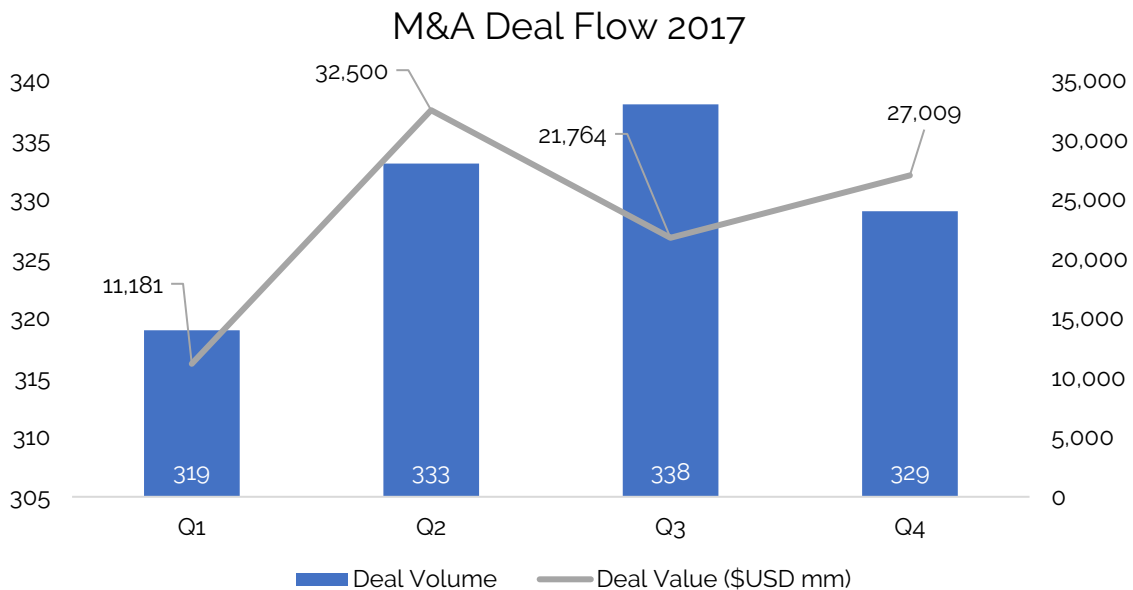
Source: Petsky Prunier, MergerMarket, AdMedia Partners

Global M&A Deal Value — Quarterly Comparison



Source: MergerMarket

Digital Media M&A Activity — Quarterly Comparison



Source: Petsy Prunier



Digital Media Drivers 2017-2018

AR/Social Media Integration: Using consumer location, companies will be able to trigger sponsored AR content in specific locations. Furthermore, Google has announced a standalone VR headset with a 180-degree camera.

Professional Live Video: Every social media platform is integrating live video platforms into their user experience, exemplified by Amazon-owned Twitch, Google's Youtube Streaming, Facebook Live, Twitter's Periscope, and now ex-Apple executives starting their new social broadcasting platform, Caffeine. Consumers are increasingly demanding the personal experience of connecting with their favorite content creators.

Voice Assistants: As new companies break into the Internet of Things space, they will be increasingly forced to make their devices compatible with Amazon or Google's voice assistants in order to give consumers what they want: seamless integration. For example, Toyota claims that it is adding Amazon's Alexa to its cars.

Voice Marketing: Google reported that 20% of its mobile queries are voice searches. This number is only going to increase as consumers get accustomed to using Alexa, Siri, Google Assistant, and their smart fridge for advice on what to buy. Marketers will begin to utilize sponsored content through these platforms.

Predictive Algorithms: The artificial intelligence trend will certainly continue to expand in its role in digital media in 2018, just as it has done for the past few years. Application programming interfaces are allowing businesses of any size to analyze their marketing effectiveness with modernized metrics such as cost per experiment replacing old metrics such as impressions, clicks, leads, and pixels.

Sources:

<https://www.forbes.com/sites/forbesagencycouncil/2017/12/18/how-digital-marketing-will-change-in-2018-15-top-trends/2/#6f51d13c5bcf>

http://petskyprunier.com/_petskyprunier.com/dynamic/user_reports-mmt_pdf-13.pdf

<https://techcrunch.com/2017/12/04/ten-predictions-for-digital-media-in-2018/>

Digital Media 2018 M&A Outlook

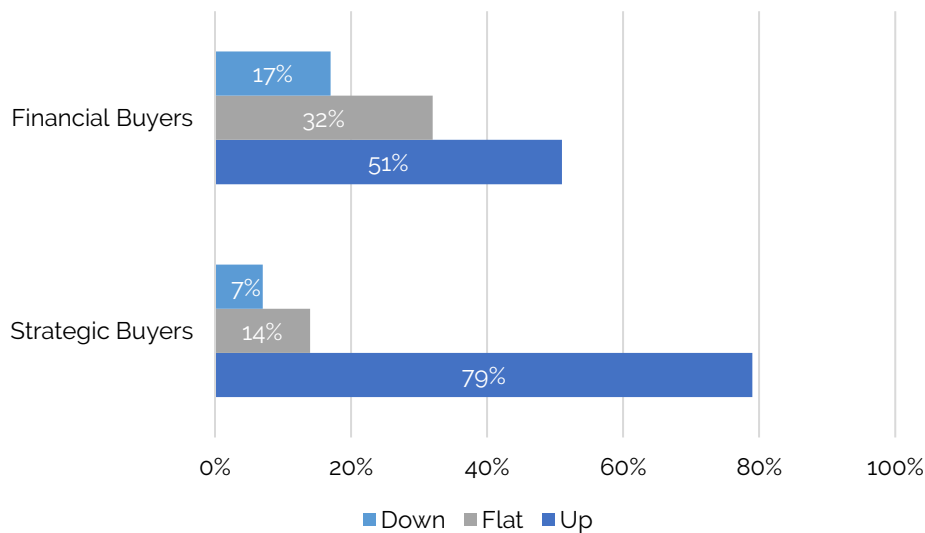
Increased Sell-Side Interest: The percentage of digital media related companies that expect to explore a sale of their company in 2018 increased to 61%, up from 47% in 2017.

Decreased Buy-Side Interest: The percentage of digital media related companies that expect to explore an acquisition target in 2018 decreased to 49%, down from 68% in 2017.

Most Sought Areas of Expansion: Consistent with prior years, analytics, social/mobile marketing, and design/user experience were the most sought after areas of expansion for digital media related companies.

No End in Sight: Only 17% of digital media related firms believe that the mergers and acquisitions market has peaked.

Strategic vs. Financial Buyer Dealflow Expectations



Sources: AdMedia Partners, 451 Research

Notable Digital Media M&A Transactions, Q4 2017

Deal Announced	Buyer	Target	Description	Deal Size (USD, mm)	EV/ Revenue	EV/ EBITDA
10/4/2017	Gannett Co.	Grateful Ventures	Online news & blogs			
10/5/2017	Kongregate	Synapse Games	Mobile game development services			
10/12/2017	Research Now Group	Survey Sampling International	Online survey services			
10/13/2017	Fandango	MovieTickets.com	Online movie tickets			
10/13/2017	IGN Entertainment	Humble Bundle	Online game storefront & philanthropy			
10/31/2017	Penske Media	Sourcing Journal	Textile industry news & reference			
11/2/2017	Catena Media	PokerScout.com	Online poker directory	350		
11/9/2017	Bytedance	Musical.ly	Lip-syncing app	850		
11/9/2017	Electronic Arts	Respawn Entertainment	Video game developer	455		
11/16/2017	Williams-Sonoma	Outward	Home furnishing 3D visualization software	112		
11/17/2017	THQ Nordic	Experiment 101	Video game developer	9		
11/26/2017	Meredith	Time	U.S. publishing giant	2,800	0.9x	7.0x
11/27/2017	Marlin Equity Partners	Bazaarvoice	Social community creation SaaS	521	2.3x	148.5x
11/29/2017	Aristocrat Technologies	Big Fish Games	Social casino games maker	990	3.7x	
12/5/2017	Cineworld Group	Regal Entertainment Group	U.S. movie theater operator	5,800	1.8x	10.2x
12/6/2017	Stillfront Group	Altigi	Online game developer	329	1.3x	6.1x
12/11/2017	Apple	Shazam Entertainment	Song identification application	400		
12/12/2017	Target	Shipt	Online & mobile grocery delivery service	550		
12/13/2017	Keywords Studios	Sperasoft	Video game developer	27		
12/14/2017	The Walt Disney Company	Twenty-First Century Fox	Conglomerate media company	66,100	2.2x	9.6x



Publicly Traded Digital Media Firms Valuation Table (as of 2/2/18)

Digital Media	Ticker	Stock Price	Market Cap (B)	EV / Revenue	EV / EBITDA
Omnicom Group	OMC	74.91	17.30	1.36x	8.95x
Publicis Groupe	PUB.PA	55.44	12.50	1.50x	8.51x
The Interpublic Group of Companies	IPG	21.29	8.27	1.27x	8.96x
WPP	WPP	90.52	21.25	1.37x	7.59x
			Mean:	1.38x	8.50x

Diversified Media	Ticker	Stock Price	Market Cap (B)	EV / Revenue	EV / EBITDA
CBS Corporation	CBS	55.40	21.18	2.48x	10.84x
Comcast	CMCSA	41.11	190.81	3.10x	9.35x
Time Warner	TWX	96.75	75.33	3.08x	10.48x
Walt Disney Company	DIS	108.70	163.75	3.40x	11.19x
Viacom	VIA	37.35	13.15	1.90x	8.51x
			Mean:	2.79x	10.07x

Internet	Ticker	Stock Price	Market Cap (B)	EV / Revenue	EV / EBITDA
Alibaba Group	BABA	187.31	480.61	16.39x	39.13x
Alphabet	GOOGL	1119.20	773.01	6.90x	20.96x
Amazon.com	AMZN	1429.95	689.05	4.36x	54.28x
eBay	EBAY	44.30	46.27	4.94x	15.81x
Facebook	FB	190.28	552.98	13.85x	24.94x
InterActiveCorp	IAC	144.48	11.92	3.85x	35.36x
Netflix	NFLX	267.43	116.05	10.66x	136.90x
			Mean:	8.71x	46.77x



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M&A Spotlight

The logo for Walt Disney, featuring the name "WALT DISNEY" in a stylized, cursive script.



The text logo for 21st Century Fox, with "21ST CENTURY FOX" in a bold, sans-serif font.

Walt Disney to Acquire 21st Century Fox Assets for \$52.4 Billion

DEC 14, 2017 – The Walt Disney Company reached a deal to buy most of 21st Century Fox, the empire controlled by Rupert Murdoch, in an all-stock transaction valued at \$52.4 billion. Under the terms of the agreement, shareholders of 21st Century Fox will receive 0.2745 Disney shares for each 21st Century Fox share they hold. The exchange ratio was set based on a 30-day volume weighted average price of Disney stock. Disney will also assume approximately \$13.7 billion of net debt of 21st Century Fox. The acquisition price implies a total equity value of approximately \$52.4 billion and a total transaction value of approximately \$66.1 billion. The acquisition is expected to yield at least \$2 billion in cost savings from efficiencies realized through the combination of businesses, and to be accretive to earnings before the impact of purchase accounting for the second fiscal year after the close of the transaction.

The acquisition complements The Walt Disney Company's ability to provide consumers around the world with more appealing content and entertainment options. The transaction will include 21st Century Fox's film and television studios, cable entertainment networks, and international TV businesses. Popular entertainment properties included are X-Men, Avatar, The Simpsons, FX Networks, and National Geographic. Furthermore, it expands Disney's direct-to-consumer offerings with the addition of 21st Century Fox's entertainment content due to added capabilities in the Americas, Europe, and Asia, and what is now a controlling stake in Hulu.

Robert A. Iger will remain chairman and CEO of The Walt Disney Company through 2021. 21st Century Fox will spin off Fox Broadcasting network and stations, Fox News, Fox Business, FS1, FS2, and Big Ten Network to its shareholders.

Source: <https://thewaltdisneycompany.com/walt-disney-company-acquire-twenty-first-century-fox-inc-spinoff-certain-businesses-52-4-billion-stock/>



M&A Spotlight



Bite Squad Acquires 17 Food-Delivery Firms across the Country

OCT 10, 2017 - BiteSquad.com, the Minneapolis-based online restaurant-delivery company, has completed the acquisition and integration of 17 restaurant-delivery companies across the country.

The company said the acquisitions were part of its strategy to consolidate the food-delivery marketplace and expand its reach to more than 30 metropolitan areas across the United States. The integration of the companies under the Bite Squad banner happened over several months during the company's second and third quarter. Prices of the acquisitions were not disclosed.

Bite Squad raised capital from Twin Cities investor Brightstone Venture Capital last year.

This summer, the company expanded its Twin Cities service area in Minnesota to the western suburbs over the summer to Eden Prairie, Minnetonka, Plymouth, and Maple Grove.

The full list of companies Bite Squad acquired are:

- ❖ Aloha 2 Go – Honolulu, HI
- ❖ Ashley's Food Delivery - Sarasota, FL
- ❖ Café Courier - Columbus, OH
- ❖ Chef Shuttle - Little Rock, AR
- ❖ Delicious Deliveries – Phoenix, AZ
- ❖ Doorstep Delivery – Orlando, FL
- ❖ Foodie Call - Charlotte, NC
- ❖ FoodNow - Tampa, FL
- ❖ Gainesville2Go - Gainesville, FL
- ❖ Goodybag - Austin, TX
- ❖ Grub Cab - Fort Myers, FL
- ❖ Restaurants Express - Orange County, CA
- ❖ Room Service in Paradise – Honolulu, HI
- ❖ Takeout Taxi Maryland - Bethesda, MD
- ❖ 2 Dollar Delivery - Gainesville, FL
- ❖ 256ToGo - Columbia, SC
- ❖ 864ToGo - Greenville, SC

Source: <https://www.bizjournals.com/twincities/news/2017/10/10/bite-squad-acquires-17-food-delivery-firms-across.html>



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SHIPTSM

Target to Acquire Same-Day Delivery Platform Shipt, Inc.

DEC 12, 2017 – Target Corp. announced that it has agreed to acquire Shipt Inc., a leading online same-day delivery platform, for \$550 million in cash.

Target will leverage its network of stores and Shipt's proprietary technology platform and community of shoppers to quickly and efficiently bring same-day delivery to guests across the country. The acquisition significantly accelerates Target's digital fulfillment efforts, bringing same-day delivery services to guests at approximately half of Target stores by early 2018. The service will be offered from the majority of Target stores, and in all major markets, before the 2018 holiday season.

At launch, Target will offer same-day delivery of groceries, essentials, home, electronics and other products, while expanding the products offered over time. By the end of 2019, same-day delivery will include all major product categories at Target.

Shipt will be a wholly owned Target subsidiary, and will continue to run its business independently. It also plans to expand partnerships with other retailers seeking same-day, last-mile capabilities. All current Shipt employees will continue to be employed by Shipt and will work from their current offices in Birmingham and San Francisco. Chief Executive Officer Bill Smith will remain in his current role, and will report to Target Chief Operating Officer, John Mulligan. In addition to same-day delivery capabilities, Target will also leverage Shipt's expertise as the company enhances and strengthens its supply chain, including integration with the recently acquired transportation technology company, Grand Junction.

Source: <https://corporate.target.com/press/releases/2017/12/target-to-acquire-same-day-delivery-platform-shipt>



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M&A Spotlight



meredith

TIME

Meredith is Buying Time Inc. for \$1.8 Billion

NOV 26, 2017 – U.S. media company Meredith said it will buy Time Inc., the publisher of *People*, *Sports Illustrated*, and *Fortune* magazines, in a \$1.84 billion all-cash deal backed by conservative billionaire brothers Charles and David Koch.

The deal is a coup for Meredith, which held unsuccessful talks to buy Time earlier this year and in 2013.

It will give news, business and sports brands to the Des Moines, Iowa-based publisher and broadcaster, which owns lifestyle magazines such as *Better Homes & Gardens* and *Family Circle*. Analysts have said that bulking up on publishing assets could give Meredith the scale required to spin off its broadcasting arm into a standalone company.

When combined, the Meredith and Time brands will have a readership of 135 million people and paid circulation of nearly 60 million. The deal also will expand Meredith's reach with internet-savvy millennials, creating a digital media business with 170 million monthly unique visitors in the United States and more than 10 billion annual video views.

Including debt, the deal values Time at \$2.8 billion. Meredith said it anticipated cost savings achieved by eliminating overlap in the two companies of \$400 million to \$500 million in the first full two years of operation. Meredith added it would launch a tender to acquire Time shares for \$18.50 in cash.

Koch Equity Development, the private equity arm of the Koch brothers, agreed to offer Meredith \$650 million in preferred equity to fund the Time acquisition. The companies said the Koch unit will not have a seat on Meredith's board and will have no influence on Meredith's editorial or managerial operations.

Source: <http://fortune.com/2017/11/27/meredith-is-buying-time-inc-for-1-8-billion/>



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About Solganick & Co.

Solganick & Co., Inc. is an independent investment banking and M&A advisory firm focused exclusively on the global technology and digital media industry sectors. We advise buyers and sellers of companies and efficiently execute M&A transactions that help increase shareholder value. Our professionals have advised on \$20+ billion in M&A transactions to date and have current clients and relationships globally with entrepreneurs, companies and leading private equity firms within the sectors we cover.

Please contact us for information regarding this report or to inquire about an M&A transaction.



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