

J&A Capital Markets Report:

Digital Marketing Transactions by USA-Based Investors

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The digital marketing industry has experienced significant capital market activity, receiving \$147 billion in investments from Q2 2020 to Q1 2023. USA-based investors have predominantly focused on the domestic market, while there has been some interest in other regions with growth potential. The industry is witnessing a surge in startups and new entrants, accompanied by notable mergers and acquisitions, indicating a trend of market consolidation.

This report focuses on the capital market transactions by USA-based investors. Investment size, deal counts, and geographical preferences of investors are the key metrics highlighted below.

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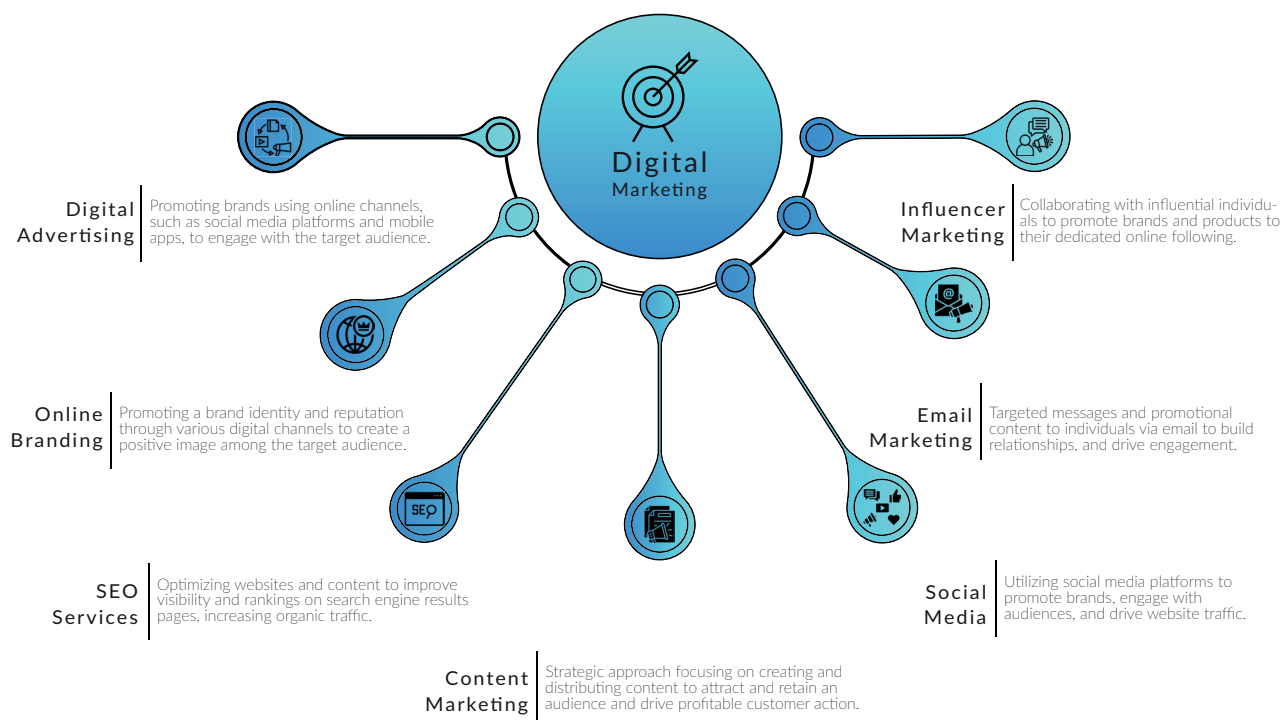
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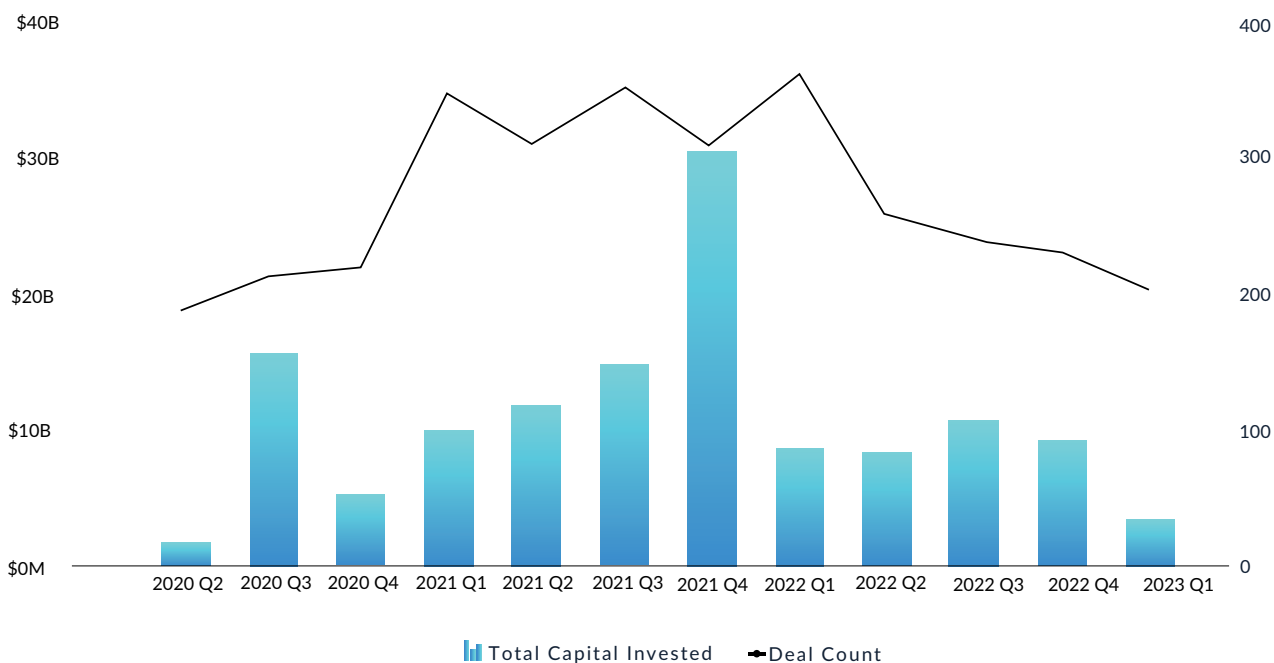
Digital Marketing Transactions by USA-Based Investors



Digital marketing covers a broad spectrum of techniques and platforms, from search engine optimization (SEO) and social media advertising to content marketing and data analytics. As consumer behavior continues to shift towards online channels, businesses across all industries are allocating significant resources to enhance their digital presence and connect with customers in new and innovative ways.



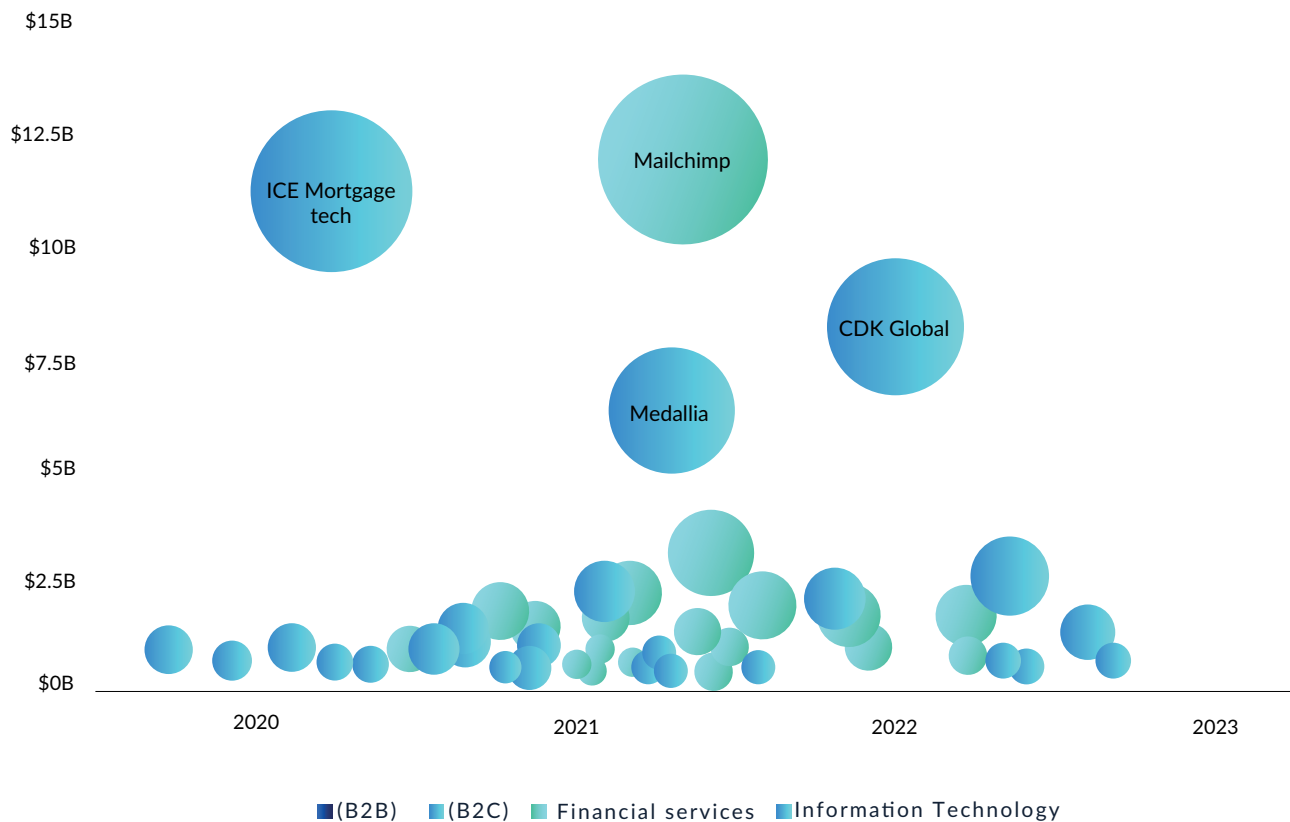
Announced Digital Marketing Investments by USA-Based Investors (Q2 2020 – Q1 2023)



- Since Q2 2020, digital marketing companies have attracted \$147 billion in investments through more than 6,000 transactions with an average deal size of \$24 million.
- In Q4 2021, over \$30 billion was invested in digital marketing companies, the highest capital invested between Q2 2020 and Q1 2023. This includes the \$12 billion acquisition of Mailchimp by Intuit.
- In 2022, despite declining investments in digital marketing companies following a peak in capital deployment during Q4 2021, the overall number of deals remained high. This could suggest numerous startups are entering the market, leading to smaller investment amounts in individual deals.



Deal Spotlight: Mailchimp's \$12 Billion Sale to Intuit



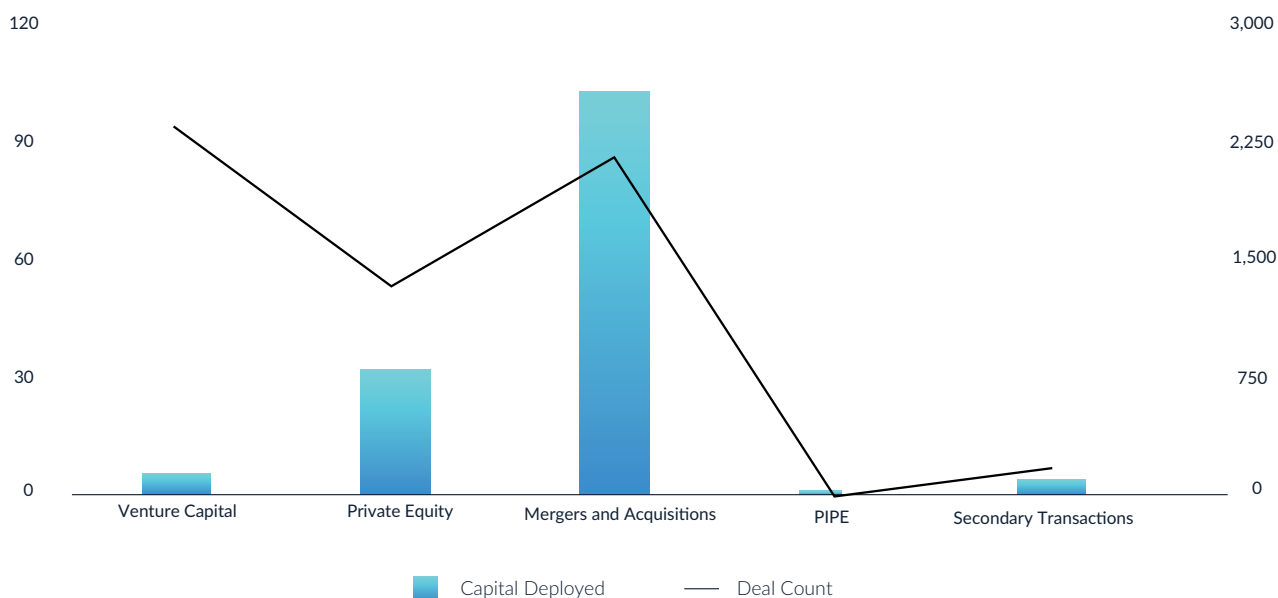
- As noted above, the biggest transaction conducted by a USA-based investor in the sector was the acquisition of Mailchimp by Intuit in November 2021 for \$12 billion.
- Mailchimp's founders opted to bootstrap the company prior to the acquisition. The company grew to generate \$700 million in

annual revenue while remaining consistently profitable.

- Intuit has acquired Mailchimp to combine QuickBooks' financial services with Mailchimp's marketing tools, consolidating their service offering for business.

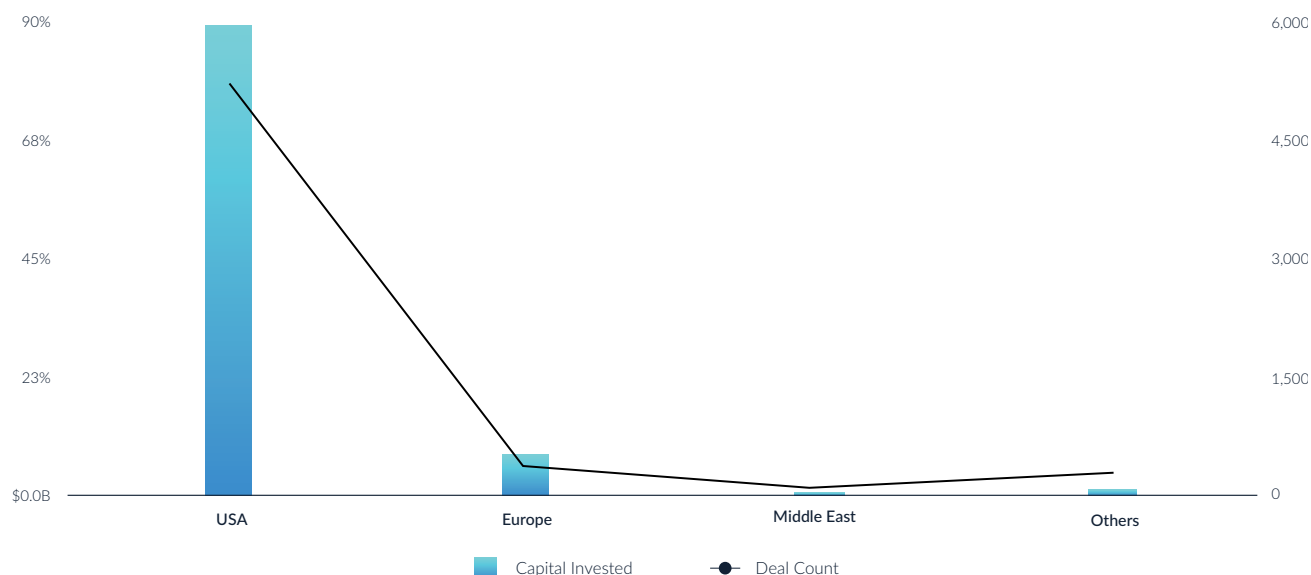


Breakdown of Announced Digital Marketing Capital Markets Deals by USA-Based Investors by Deal Type (Q2 2020 – Q1 2023)



- From Q2 2020 to Q1 2023, 70% of the capital deployed in digital marketing transactions occurred in mergers and acquisitions, highlighting the industry's significant consolidation activities.
- With only 4% of the capital deployed, venture capital (VC) firms were responsible for 2,340 deals in total, accounting for 39% of the total deal count. Small ticket sizes across multiple deals in the same period may indicate the growth of new market entrants.
- Private equity firms accounted for 22% of the capital deployed in digital marketing transactions for 1,320 deals. This could suggest the digital marketing sector's maturity and abundance of growing and profitable companies.

Breakdown of Announced Digital Marketing Deals by USA-Based Investors by Region (Q2 2020 – Q1 2023)



- USA-based investors allocated 90% of the funding to digital marketing companies in the United States, revealing a notable preference toward domestic investments, primarily driven by the investors' familiarity with the local market.
- Only 7% and 1% of the capital invested by USA-based investors was allocated to digital marketing companies in Europe and the Middle East, respectively. These figures are comparatively lower in both investment capital and deal count. This might be due to

the larger market size in the US, more robust local networks, and simple familiarity with the local market.

- Of the capital invested by USA-based investors, 2% went into digital marketing companies in other regions. Despite the small percentage of capital, these investments accounted for a total of 300 deals, 5% of the total deal count, suggesting a higher number of smaller deals in these regions. This indicates a certain interest in exploring opportunities in regions with growth potential.

The digital marketing industry continues to attract substantial investments, driven by the increasing reliance on digital platforms for businesses to connect with consumers. Numerous startups and new players entering the market, coupled with the industry's maturity and profitability, provide fertile ground for investors seeking opportunities in this dynamic sector. Moreover, large mergers and acquisitions have been driving market consolidation, shaping the future of digital marketing. As the digital landscape evolves, J&A expects further developments and transformative transactions that will shape the future of digital marketing.