

NAVIGATING THE **EVER-EVOLVING** DIGITAL ADVERTISING LANDSCAPE

Performance-based advertising needs are driving a sizzling M&A market



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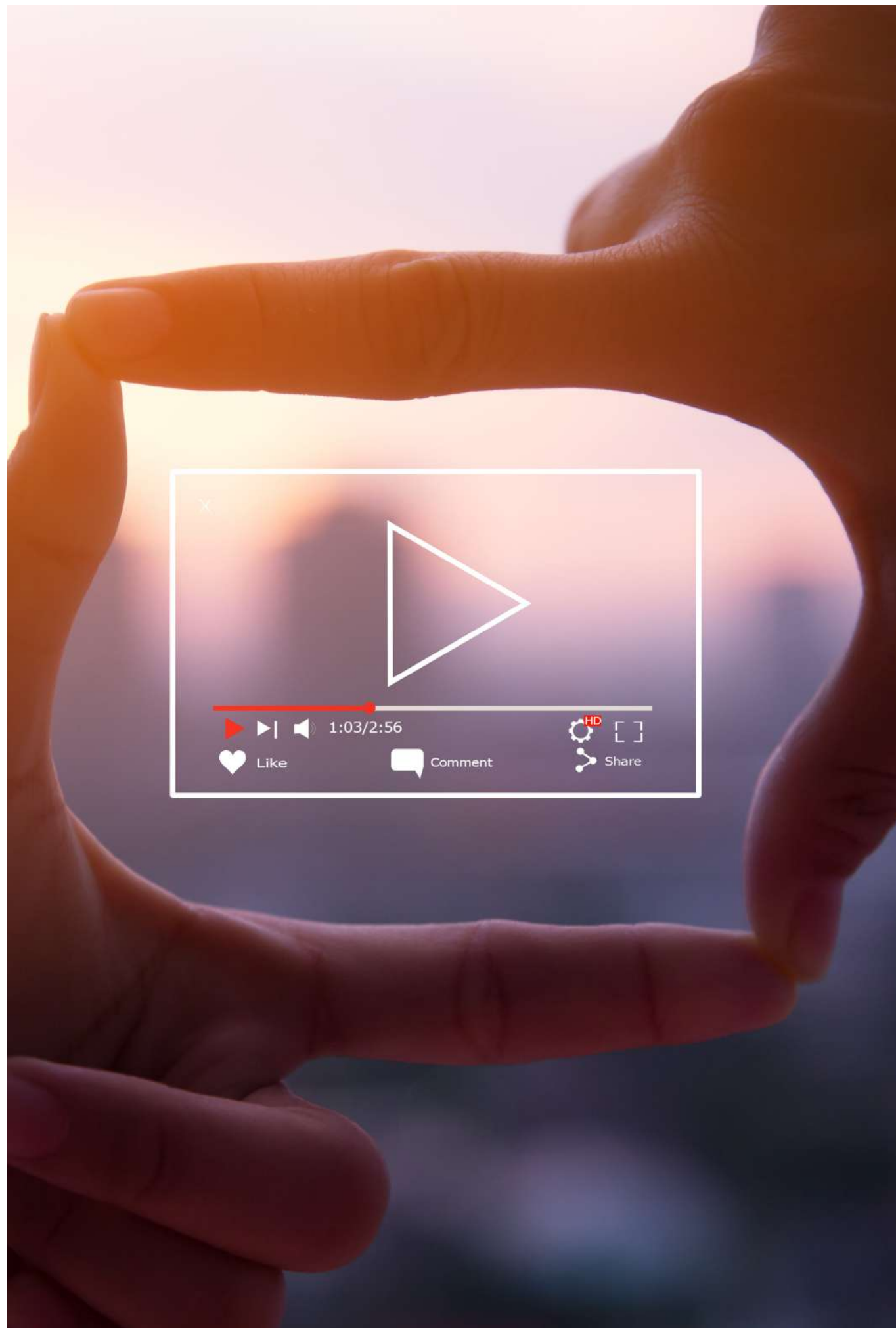
As rapid, continuous, and disruptive technology advancements lead us into the digital age, digital advertising has become an increasingly important tool for businesses to reach and engage with customers.

The European digital advertising market reached EUR 92bn in 2021, registering a 5-year CAGR of 15%. Digital advertising spending now accounts for around 59% of total advertisement spending in Europe and is expected to grow in the low teens in the next few years. Programmatic advertising has greatly gained in popularity thanks to its high marketplace efficiency, and the EU market is now programmatic first with around 65% of total ad spending transacted programmatically.

Performance-based advertising needs are fuelling the hottest trends in the advertising industry as advertisers increasingly demand that their marketing investments deliver measurable results. Paid search remains popular, social media rises to power, high-impact forms such as digital video keep gaining traction and immersive technologies

like AR and VR are increasingly being explored by advertisers to create more engaging experiences. Behind the scenes, publishers and advertisers are teaming up to provide consumers with non-intrusive native advertisements. While the industry has been under increased scrutiny in recent years due to data privacy concerns, cutting-edge technologies, especially artificial intelligence and machine learning are expected to provide meaningful solutions for customer targeting.

2022 witnessed a thriving M&A scene in the Digital Agency, Agency Services, MarTech and Content Creation sectors. Combined, these sectors represented 44% of all of 2022 M&A activity in the entire technology space in terms of deal volume. The number of deals increased by 41% year-on-year in the Digital Agency sector, 52% in Agency Services, 12% in MarTech and 58% in Content Creation. The M&A market remains vibrant thanks to all types of consolidators, including agencies, consultancies and private equity funds.



PERFORMANCE-BASED ADVERTISING FUELS THE HOTTEST INDUSTRY TRENDS

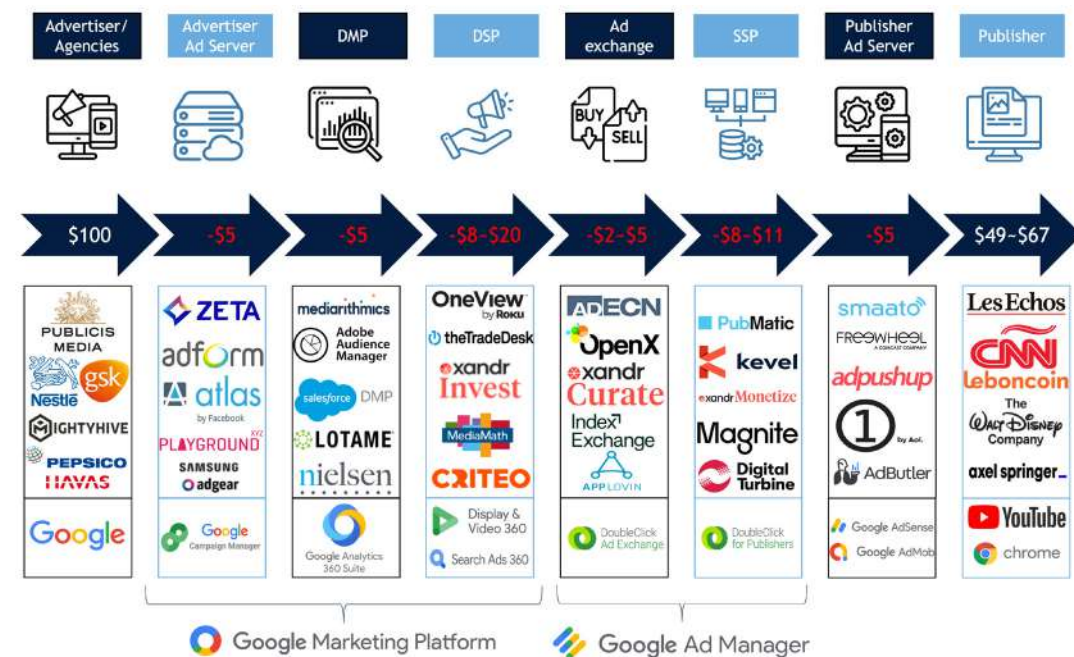
SECTION 1



Programmatic takes the crown in media buying and is set for high growth

Programmatic advertising has greatly improved marketplace efficiency, reduced costs and time, and simplified the proposal to sign off procedures. The EU market is now programmatic first with around 65% of total ad spending transacted programmatically and the rest 35% through direct campaigns or ad networks, with Western European countries leading the change. Advertisers will increasingly shift to programmatic for efficiency and scale. We expect to see spending on programmatic advertising in Europe grow at a fast speed of high single-digit to high teens, and growth in mobile programmatic advertising outpacing desktop.

FIG 1: PROGRAMMATIC ADVERTISING MONETISATION



Source: Stifel*, Google, Adalytics



Our top picks

Remerge

Remerge is a leading demand-side platform (DSP) for high-performing, privacy-compliant app marketing campaigns based in Berlin. The platform uses in-app advertising to help businesses engage their audiences at every stage of the mobile journey and offers personalised support to guide clients throughout the entire programmatic ad campaign process. The company's services cover a wide spectrum: development of programmatic advertising strategies, initial campaign set-up, performance measurement, ad bidding optimisation and creative testing.

HAWK

PLATFORM FOR MEDIA & INSIGHTS

Hawk is a leading omnichannel demand-side platform (DSP) based in Paris. Through its proprietary buying platform, Hawk offers media agencies and advertisers the capacity to optimise their marketing campaigns across all screens by activating all advertising formats. It is the first DSP to enable omnichannel campaign planning and activation, with its in-built brand research tool. The company uses next-gen technologies to consolidate all of its client's digital advertising investments into one.

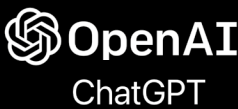
Artificial intelligence is transforming the digital advertising industry

The most significant change brought by artificial intelligence is the use of machine learning algorithms to create more targeted and effective advertising campaigns. AI can be used to optimise the process of ad delivery by analysing data about user behaviour and adjusting the timing, frequency and placement of ads accordingly.

Content creation is another aspect that is increasingly adopting AI technology. Artificial work — either images, videos, or texts generated by AI is bluffing the tech world and has invaded social media. Chatbots and virtual assistants are replacing humans to interact with customers and provide timely answers. AI-powered content generators such

as Jasper and ChatGPT are writing assistants that could create a human-like response in seconds. DALL-E 2 is another astonishing AI system that can generate realistic images and art based on several lines of user descriptions. AI is also used in ad fraud detection, target audience identification, and budget management.

Our top picks



ChatGPT is a large language model developed by OpenAI. The AI-based tool is trained to understand and respond to natural language input. It can answer questions, provide information, and assist with various tasks. ChatGPT is constantly learning and updating its knowledge and is able to provide accurate and up-to-date information. ChatGPT is the fastest-growing consumer application that has attracted more than 100 million users as of January 2023, two months after its launch. Microsoft recently announced a \$10 billion investment into its parent company, OpenAI.



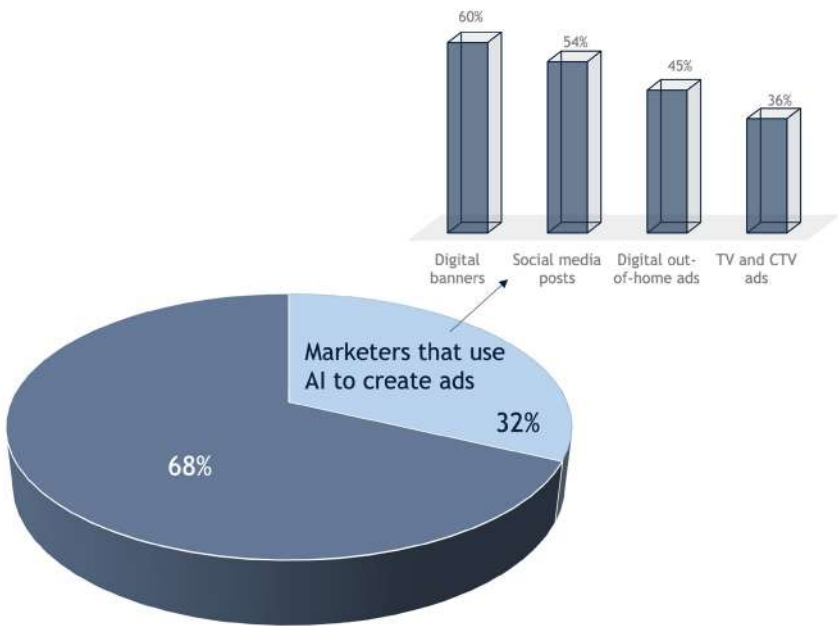
Jasper is an AI-writing and art-generating platform founded in 2021 in Austin, Texas. Jasper can help marketers, agencies and content creators generate original content that is keyword-rich and plagiarism-free in seconds and is able to use multiple writing skills in one document. Jasper Chat has the capability to write high-quality blog articles and social media posts in more than 25 languages, while Jasper Art can create the perfect picture that matches the user’s imagination.

Currently, around 22% of enterprises in Europe have adopted AI technology and 32% of marketers have used AI to create ad content. AI advancement in Europe will greatly benefit from favourable

policies. The European Commission plans to invest around EUR 1bn per year in AI through the Horizon Europe and Digital Europe programmes, which will mobilise additional investment from

the private sector to reach an annual investment volume of EUR 20bn in the next few years.

FIG 2: AI USE FOR AD CREATION AND PLACEMENT



Source: Stifel*, Advertising Perceptions

Digital video will be the winning media outlet

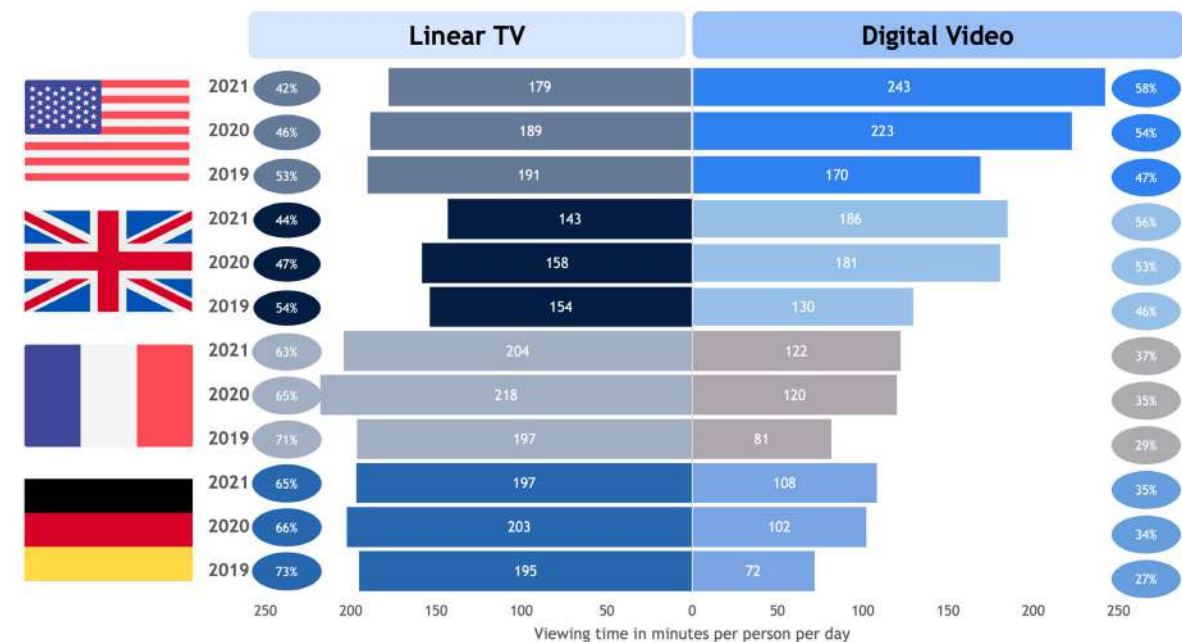
The video industry landscape is quickly changing due to spiralling digital capabilities. Statistics show that videos account for around 82% of all web traffic, and this number is expected to increase

further. Online video has demonstrated concrete benefits such as effective conversions and lead generation. We believe that online video, with high-impact content and flexible forms, will

be the winning media outlet in years to come and greatly boost digital video ad spend. In the meantime, linear TV will face declining ad spend.



FIG 3: USER TIME SPENT ON DIGITAL VIDEO VS. LINEAR TV



Source: Stifel*, Omdia

FIG 4: VIDEO TYPE HIERARCHY

Technology	Video type & Devices		Example	Advertising
Satellite & cable	Linear TV		Bouygues Telecom, SFR, Orange, Canal +	Non-targeted
(Wireless)Local Area Network	IPTV		Tvspeedy, Kwive IPTV, OneIPTV, IPTV Foot	Targeted
Over-the-Top (OTT)	Video on Demand (VOD)	SVOD	Netflix, Amazon Prime Video, Disney + , MyTF1, MyCanal, Joyn	
		TVOD		
		AVOD		
	Connected TV	Smart TV	Samsung smart TV	
		Connected device	Amazon Firestick, Apple TV Box, Google Chromecast	
		Gaming console	Nintendo Switch, Xbox, PS5	
		Connected platforms	ProSieben, Rai, and ITV	

Source: Stifel*

Connected TV (CTV) is the next big thing in digital video advertising

Advertisers are more energised than ever to enter the CTV market thanks to the growing number of audiences. According to Magnite, currently around 71% of the population in Europe watches a combination of traditional TV and CTV.

While ad spend on CTV has grown exponentially at around 30% over the past five years in the US, the transition in Europe is much slower. Compared with the high costs of TV services in the US, Europe has different market dynamics and consumption habits. The CTV

market in Europe is highly fragmented with local players operating in individual countries. The main obstacle to the rollout of CTV advertising is the limitation of technology: advertisers expressed concerns about consumer targeting using first-party data and performance measurement, while publishers are worried about a possible deterioration in the viewing experience.

However, we think this situation could reverse soon as global technology leaders and thriving local innovations flood in to achieve the desired scale

of data-driven advertising. CTV advertising’s capability to provide more granular target segmentations and multiple delivery options will meet the expectations of advertisers and further disrupt the existing advantages of linear TV. Thus, we firmly believe that CTV will be the key driver for future video advertising investment, and we expect to see more cross-country collaborations within this field.

FIG 5: EUROPEAN CTV LANDSCAPE

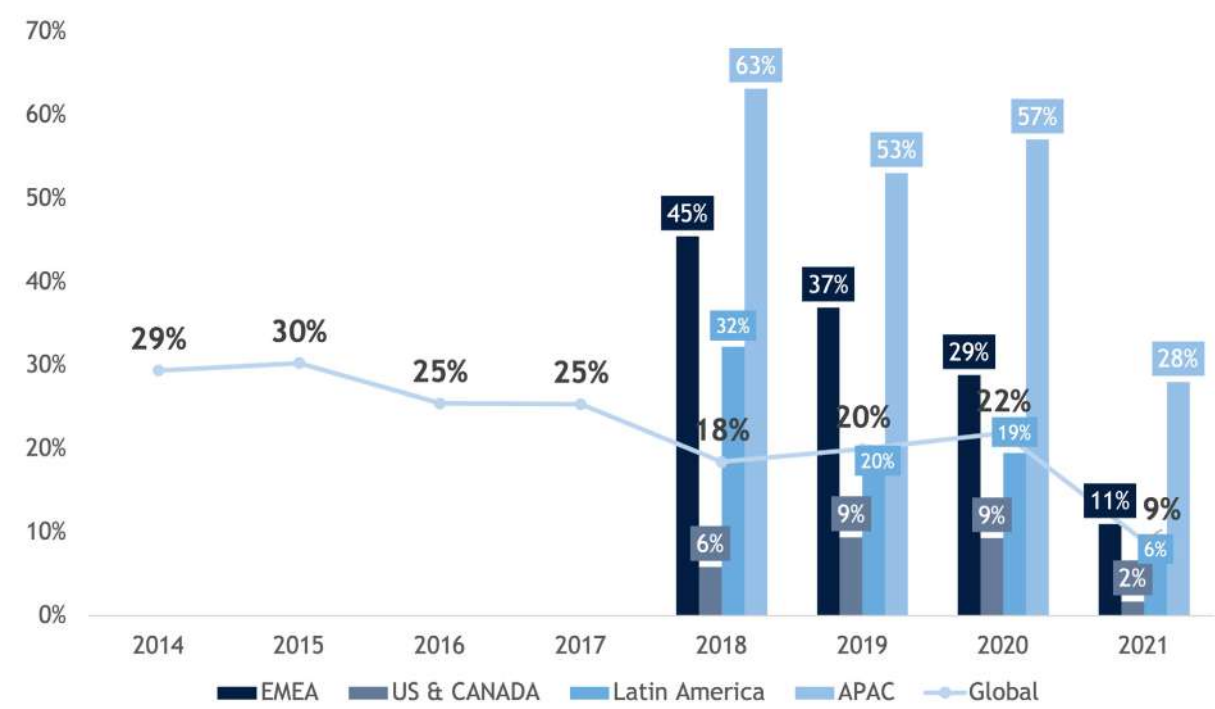
CTV Maturity	Advanced	Developing	Developing	Nascent	Nascent	Nascent
Internet Infrastructure	Advanced	Advanced	Intermediate	Intermediate	Advanced	Advanced
Cord Cutting	Good	Medium	Medium	Poor	Poor	Good
Connected Device Penetration	Good	Medium	Medium	Poor	Medium	Good
View Patterns	Good	Medium	Medium	Poor	Good	Good

Source: Pubmatic

Streaming platforms are accelerating digital advertising plans

Streaming platforms are experiencing subscription fatigue and are actively exploring new methods of monetisation. The most popular alternative is to add ad-supported features, either pre-roll, mid-roll, or post-roll. Many streaming platforms have announced ad-supported versions of subscription offerings to draw more revenues, meaning more ad spaces will be available for advertisers. Netflix, for example, launched its ad-supported subscription in November 2022, and this new plan reached around 1.4 million subscribers in France at the end of December last year. 60% of these subscribers are new customers, according to NPA Conseil and Harris Interactive.

FIG 6: NETFLIX PAID MEMBERSHIP YEAR-ON-YEAR GROWTH



Source: Stifel*, Netflix

The ad-supported function has not been phenomenal with European streaming platforms yet. Those closest to advertising video on demand (AVOD) are TF1 and M6, but even their streaming platforms, MyTF1 and 6play, are taking a gentle approach towards advertising: the basic version with ads is free, while an ad-free subscription costs barely EUR 3. The slow expansion of the ad-supported model in Europe could largely be attributed to the fierce competition from US streaming platforms. In the coming years, we think that a dual subscription + ad-enabled revenue model will be the most popular combination for streaming platforms, with more European companies joining the transformation.

FIG 7: EXAMPLES OF US AND EUROPEAN STREAMING PLATFORMS' MONETISATION

		Ad tier plan	Subscription	Transaction
USA	prime video	2006	✓	✓
	hulu	2020	✓	✗
	discovery+	2021	✓	✗
	HBOmax	2021	✓	✗
	Paramount+	2021	✓	✗
	NETFLIX	2022	✓	✗
Europe	Disney+	2022	✓	✓
	MY TFI	2021	✓	✗
	6play	2022	✓	✗
	my CANAL	✗	✓	✗
	UNIVERS CINÉ	✗	✓	✓
	joyn	✗	✓	✓
	wow	✗	✓	✗
	viaplay	✗	✓	✗

Source: Stifel*, Company Data

Big or small, marketers are flocking to social media advertising

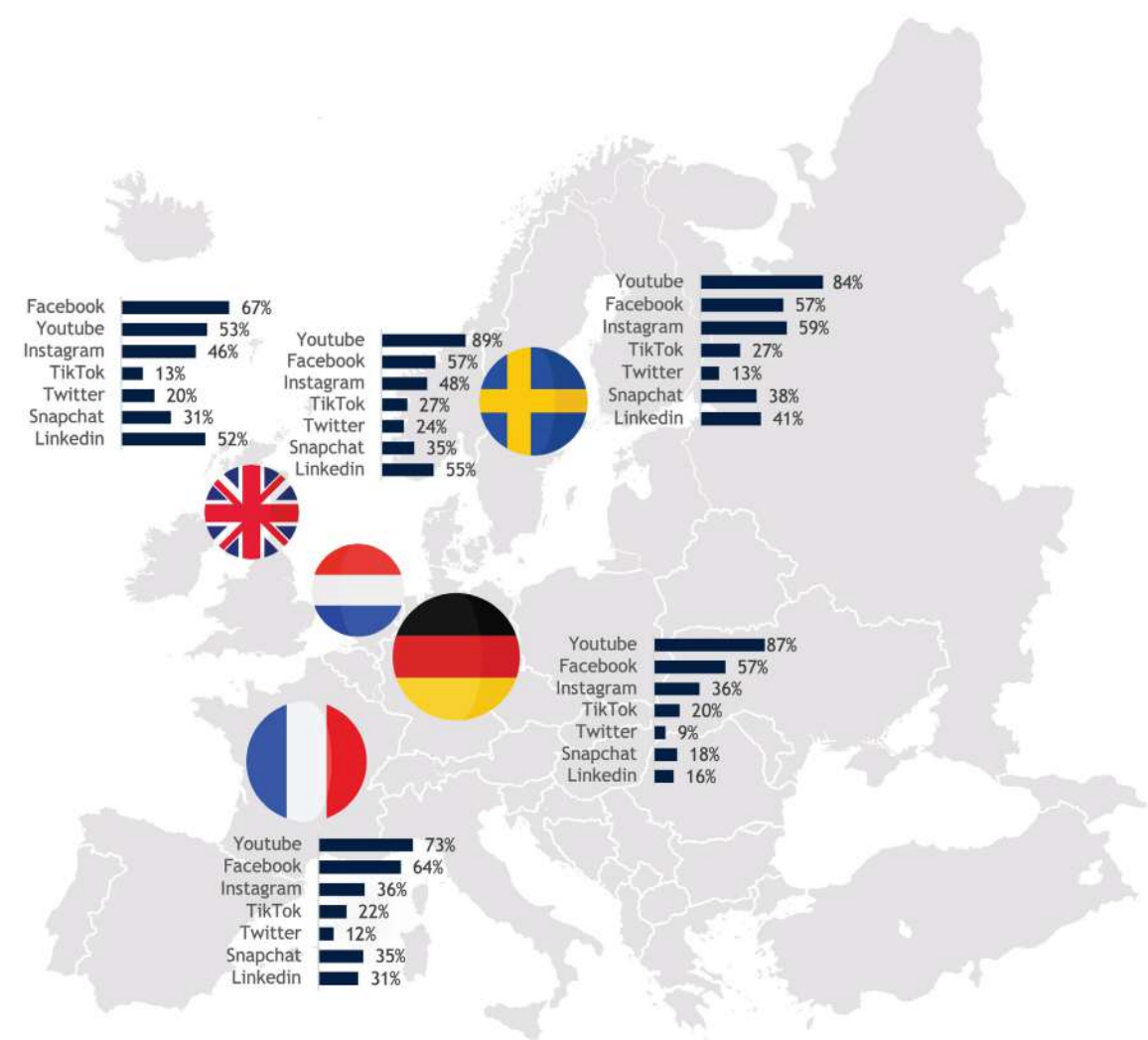
The reach and effectiveness of social media are incredible

There are around 4.6 billion active users of social media platforms all over the world — that's more than half of the population. The vast reach and large pool of valuable customer data give advertisers great targeting capabilities. Social media advertising is also cost-effective. According to a survey conducted by Neustar, the performance of advertising on social media is 34% higher than average across all channels.

Social media advertising spend accounted for around 33% of digital advertising spend globally and 25% in Europe in 2021, according to IAB. A recent Hootsuite study found that Instagram is the most popular social media platform among millennials, while Gen X and boomers prefer Facebook. The same study also showed that TikTok is one of the fastest-growing social media apps in terms of both ad

revenue and customer reach. The strong growth momentum of social media advertising is very likely to continue, and social media platforms will continue to gain in popularity, benefitting from an established user base and high advertising effectiveness.

FIG 8: SOCIAL MEDIA PENETRATION IN EUROPE, AS A PERCENTAGE OF THE POPULATION



Source: Stifel*, Gaasly, Hootsuite, Newcom

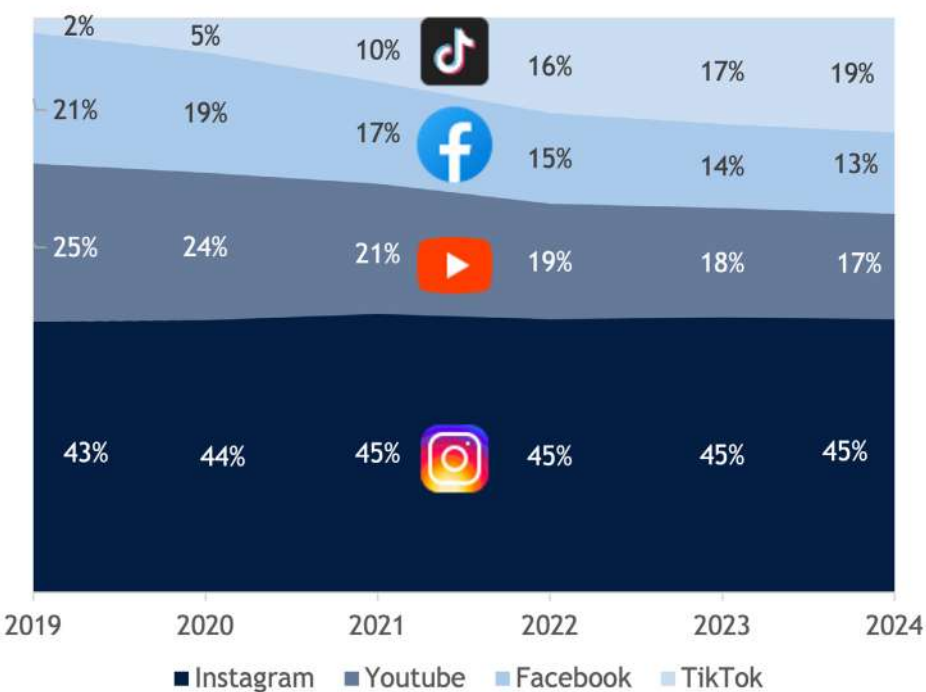
Social media platforms facilitate the flourishing creator economy

A significant shift in the way that content is created is underway, and the driving force behind it is independent creators. Except for professionals and digital advertising agencies, individuals, especially influencers, can also create content and profit from it thanks to the widespread adoption of social media. These creators can monetise their content through paid partnerships with

brands, tipping platforms, charging subscriptions, direct product sales, and advertising. Influencers fuel today's free marketplace. The major advantage of using influencers for advertising is that they have established credibility and trust among followers. According to a survey conducted by IAB, around

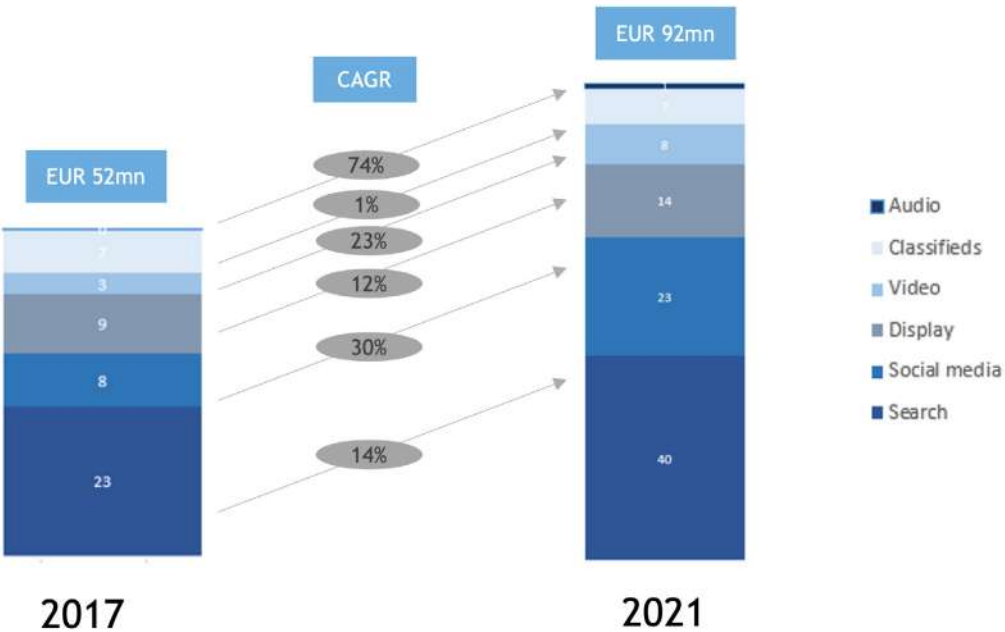
80% of brands in the U.S. are now working with influencers for advertising campaigns. Influencer marketing agencies have risen in number and importance. Influencers are also the most favourable tactics for viral and buzz marketing, which rely on the word-of-mouth effect on social media to share the ad campaign with networks all over the world.

FIG 9: SHARE OF INFLUENCER ADVERTISING SPENDING BY PLATFORMS IN THE U.S.



Source: Stifel*, eMarketer

FIG 10: EUROPE DIGITAL ADVERTISING SPENDING BY CHANNEL 2017 VS 2022



Source: Stifel*, IAB Europe

Our top pick



MetDaan is a social publisher headquartered in Tralee, Ireland. The company helps creators to expand their presence and earnings across multiple social media platforms and enables brands to succeed in connecting with their customer networks in the digital era. The company manages over 50 channels across different social media platforms and generates over 12 billion monthly video views. MetDaan has a focus on Facebook, Instagram and TikTok, and has around 300 million social media followers.



Immersive media to become the new battleground for advertisers

Immersive technologies send adverts to the virtual world

Advertising is no longer only in the real world. All immersive technologies including virtual reality (VR), augmented reality (AR) and mixed reality (MR) allow brands to personalise user experience and engage more deeply with audiences in interesting ways. Metaverse, which is based on Web3 infrastructure and encompasses several immersive technologies, allows users to seamlessly interact with each other using avatars and holograms in a simulated environment.

The transition from the internet to metaverse is taking place slowly due to constrained hardware availability, relatively high costs and quality concerns, but this has not prevented AR and VR from becoming the must-have technologies for marketers and agencies. According to eMarketer research, there will be 65 million people using VR and 110 million using AR every month in 2023, and the worldwide market for AR and VR is expected to double every year out to 2027.

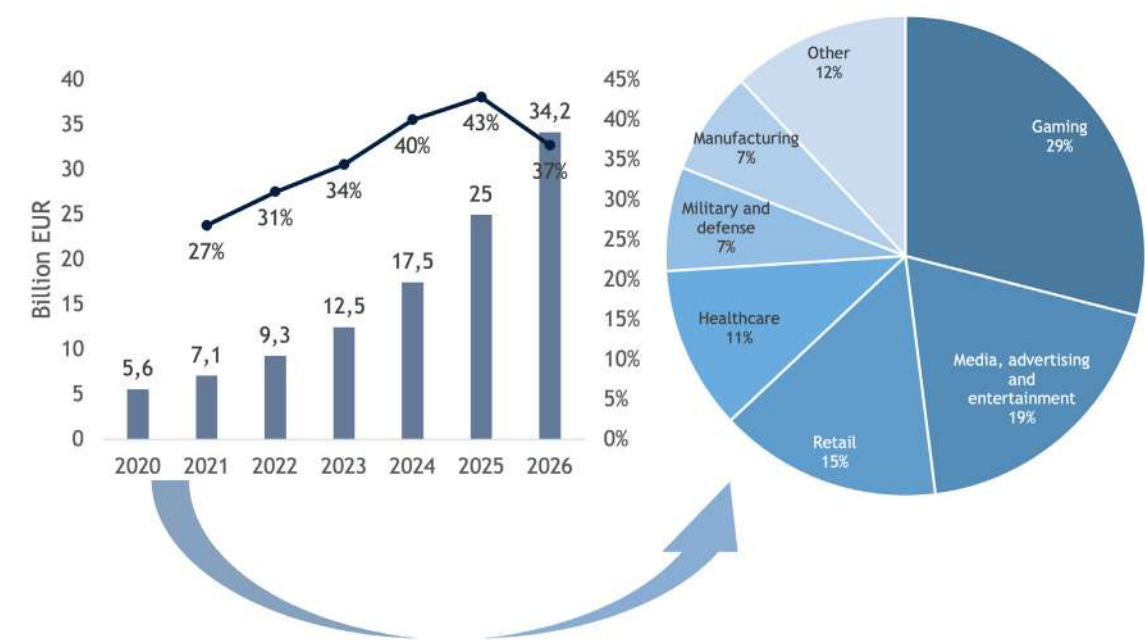
Augmented reality is in high demand

Augmented reality is probably the most often-used technology in digital advertising among all metaverse technologies. According to research conducted by Publicis and Snap Inc., 66% of customers are likely to make a purchase after a branded AR experience. For example, Sephora has integrated augmented reality into its online digital makeup try-on experience, and Adidas lets shoppers virtually try on its latest sportswear.

According to the European Commission, the EU VR/AR market totalled EUR 7.1bn in 2021 with around 19% of the value contributed by the media, advertising, and entertainment sectors. Growth is estimated at a 37% CAGR for the next five years. We expect to see a rising level of demand for virtual assistance, while augmented reality is set to remain significant for the digital advertising industry.




FIG 11: VR/AR MARKET SIZE, GROWTH, AND SEGMENTATION IN THE EU




Source: Stifel*, European Commission



Our top picks



Atomic Digital Design is a leading French agency and studio creating engaging and entertaining advertising through its AR services. It supports social media companies and brands from the definition of their needs to the realisation of AR projects. The agency provides a variety of services on social AR, web AR and metaverse. Atomic also provides consulting and training services on immersive technologies and metaverse through its XRcademy. Atomic was the first studio to partner with Snap in France and has acquired a strong customer base.



Room AG is a German specialist for virtual and augmented reality solutions for enterprise customers. Their cutting-edge technologies enable businesses to create immersive experiences for customers. The company's intuitive software solutions allow clients to easily create virtual 3D spaces, products, and events accessible on any device without special hardware. Room has been recognised by Gartner as a leading metaverse management solution provider and works closely with industry-leading companies and research institutes to develop 3D, VR, & AR software solutions and NFTs.



Non-fungible tokens (NFTS) will play an important role in metaverse advertising, if well regulated

Unlike cryptocurrencies such as Bitcoin, NFTs are unique and each has its own value. NFTs are the tokenisation of a piece of digital artwork such as an image or a video clip.

The flexibility of NFTs enables them to serve as a complement to campaigns in the metaverse, or they can simply be auctioned as a promotion for brands. This will help brands to interact more directly with consumers in the virtual world and generate additional income. However, the sharp fall in NFT prices

in 2021 and 2022 - compared with the sharp increase in 2020 - has revealed fundamental deficiencies in this digital currency. The age-old debate about how much the tokens are really worth since they only exist in the virtual world never stops. Frauds, scams and rug pulls have abused investors' trust. According to OpenSea, the world's largest NFT marketplace, over 80% of NFTs created for free on its platform were plagiarised works, fake collections or spam.

There's no denying that NFTs allow brands to monitor real-time data migration with guaranteed accuracy and security. We think that this decentralised blockchain marketing tool, if well-regulated and once it regains investor trust, could play an important role in metaverse advertising.

Native advertising is a powerful and friendly tool

Native advertising takes the same form and function as the media outlet. Compared with other digital advertising formats, native advertising is less intrusive and does not disrupt

interactions with users. Behind the scenes, publishers partner with marketers and provide them ad spaces on websites, blogs, games, e-commerce platforms, videos, and

social media posts to show native ads. Native ads are more expensive than display ads but are also higher performing as they engage customers in an unobtrusive way.

Our top pick



Global Savings Group (GSG) is Europe's largest shopping rewards company based in Munich. Except for running a successful cashback business, the company also provides native advertising services for publishers. GSG allows publishers

to provide readers with shopping inspiration and related commerce content, which greatly helps with customer acquisition and conversion. GSG has been pioneering partnerships with top media outlets and has successfully delivered additional monetisation.

Retail media has turned online retailers into publishers

Retail media advertising marks a big step for online retailers to become publishers. By integrating native advertising services into their websites, online retailers can generate additional

ad revenue without interrupting user experience. But the benefit does not stop there. Since retail media networks directly interact with consumers, they can gather unique and relevant first-

party data on purchasing behaviours and track ad performance over time, thereby bridging the gap between sales and advertising data without incurring additional costs.

FIG 12: E-COMMERCE SHARE OF TOTAL VALUE SALES IN 2021 AND FIVE-YEAR CAGR



Source: Stifel*, McKinsey

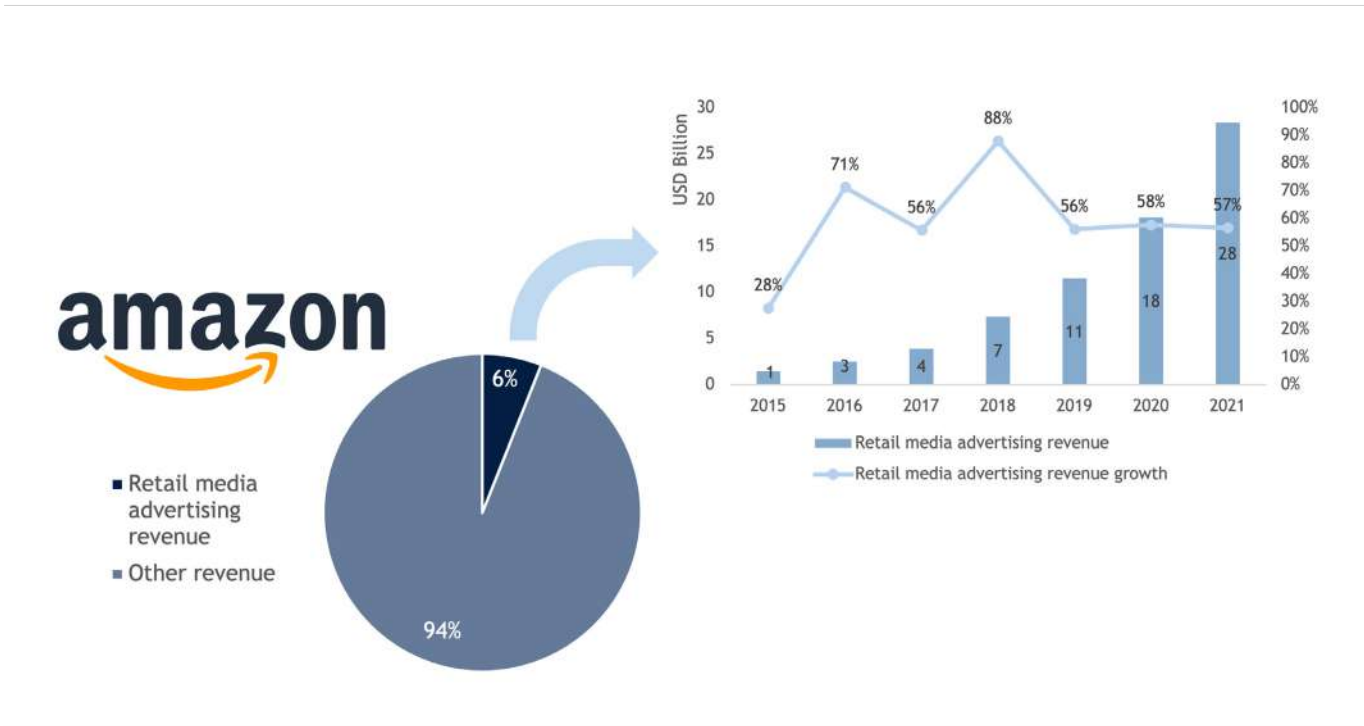
A study from IAB Europe and Microsoft showed that in Europe, retail media acquisition activities have soared 50% over the past two years, and around 90% of advertisers are partnering with online retailers to reach consumers. The total retail media market in Europe stands at EUR 8bn and is expected to reach EUR 25bn by 2026. More and more retailers with online presence are seeking help from AdTech companies to

sell ad places. Thanks to the permanent shift in consumer behaviour towards online shopping and the inevitable phasing-out of third-party cookies, retail media will become the main future gateway for brands.

Take Amazon for example, the retail media advertising business on its eCommerce platform has become bigger and bigger as brands and

sellers look to increase visibility for their products. On our estimates, retail media advertising revenue has grown at a CAGR of around 62% over the past five years and now accounts for around 6% of Amazon's total revenue.

FIG 13: AMAZON'S RETAIL MEDIA ADVERTISING REVENUE AND GROWTH



Source: Stifel*, Amazon

FIG 14: MERCEDES-BENZ IN NINTENDO'S MARIO KART 8



Source: Nintendo

In-game native advertising is the next step for video gaming monetisation

With around three billion video gamers worldwide, gaming is a profitable industry with high advertising monetisation potential.

Native ads in gaming are highly personalised content incorporated seamlessly into the gaming experience. Native advertising replaces various game features such as vehicles, outfits, possessions, or power-ups with sponsored items. Actual ad places in

games such as billboards in a football video game can also be used for native advertising. For example, Nintendo partnered with Mercedes-Benz to include the new GLA SUV as a car in Mario Kart 8, using sponsored items to create a new gaming experience and drive revenue. In-game native advertising usually creates a win-win situation for both the game developer and the marketer.

As subscription-based revenue and in-game purchases slow down, in-game advertising, especially non-intrusive native advertising, could be the new breakpoint for the gaming industry.



Our top picks



ComboStrike is a leading full-service marketing agency that specialises in games and gaming audiences based in Berlin. The company partners with international publishers and developers to craft creative and data-driven marketing solutions, including game launching, influencer marketing, and performance tracking. A team of client-centric, competent and motivated marketing specialists work together to deliver the most compelling campaigns. The company's major clients include Garena, Tencent, Activision Blizzard, and Sega.



Adikteev is an app retargeting platform based in Paris, France. The company helps the world's top-spending app publishers increase retention and drive incremental revenue through made-to-measure strategies and creatives. The retargeting services that Adikteev provides include deep audit of optimal audience, content creation, media buying and performance measuring. The company has partnerships with EA Games, Twitch, and Tik Tok etc., and has successfully helped those apps to increase user retention.



THE DIGITAL ADVERTISING INDUSTRY IS **NAVIGATING THROUGH CHALLENGES**

SECTION 2



Customer identification will be the main challenge in a cookie-less world; first-party data is the most sought-after solution

Google announced that it will block third-party cookies by default in Chrome by the end of 2024 even after several delays, and no more cookies means that ad companies relying on cookies will have to figure out another way to find, identify and target customers.

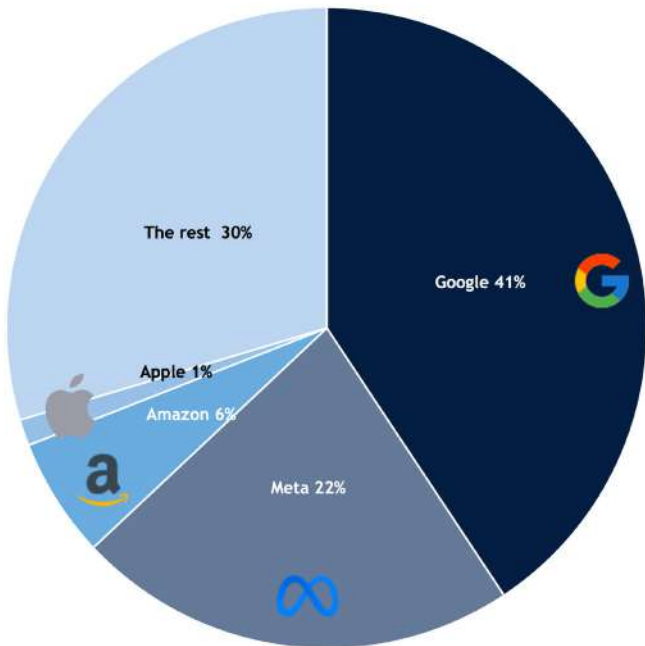
Premium publishers in the US and Europe currently using first-party data targeting will not be significantly impacted as they've had authentication and paywalls in place for years. Non-premium publishers are in a more disturbing situation as McKinsey's

studies have shown that on average 80% of their revenue is dependent on third-party data. Within the AdTech space, companies whose main services are built around third-party cookies will be hit the hardest while others will stay relatively intact.

Ad prices are already being adjusted as publishers try to compensate for the change. A recent survey of publishing executives shows that ad places on cookie-less browsers like Apple's Safari are sold at half the rate of third-party cookie-enabled browsers.

While the phasing-out of cookies will have huge implications on the digital advertising industry, we think the impact on the walled gardens will be limited as these platforms are rich in consumer activity and self-sufficient when it comes to customer targeting and tracking. The biggest walled gardens - Google, Apple, Facebook and Amazon (GAFA) - will be best positioned to win even more disproportionate chunks of advertising revenue in the market.

FIG 15: GAFA'S GLOBAL ADVERTISING REVENUE MARKET SHARE



Source: Stifel*, Company Data, Magna, Insider Intelligence

First-party data fits perfectly with regulatory requirements, and digital advertising is already moving in this direction. By using first-party data, media planners can get closer to ideal audiences and build a holistic customer profile. In the long run, first-party data, with its impeccable accuracy and integrity, will thrive to be the most paramount solution for customer targeting and tracking.

Our top picks

/LiveRamp

LiveRamp is based in San Francisco and is one of the largest data marketplace companies in the world, providing data connectivity and onboarding services to brands, agencies, and publishers. LiveRamp enables them to securely connect their data with thousands of marketing platforms. With the current challenges in the advertising ecosystem, LiveRamp unveiled its newest solution: Portrait Engine, a first-party next-generation customer identification tool. This is expected to effectively reconcile customer data from any source to generate a stable identifier and build the most relevant customer view.



Eulerian Technologies is a Paris-based data management platform dedicated to leveraging marketing data to improve campaign performance. The company gathers online & offline data, CRM and third-party data in a single platform and maximises user recognition through first-party data collection. Eulerian's Augmented Analytics platform can identify each user interaction and get a unified view of customers by reconciling the entire user journey. Eulerian helps companies and brands to effectively manage media performance.

Blockchain technology is likely the answer to ad fraud but lacks customer trust

Any channel has its pros and cons. According to research conducted by PwC, the digital advertising ecosystem could lose up to USD 50bn in ad fraud including cybercrime, customer fraud and asset misappropriation by 2025. Brand safety has become a top concern for companies as digital advertising spending is notoriously difficult to track. Failing to maintain brand safety as a top priority could result in PR nightmares.

The application of blockchain technology in digital advertising could turn the situation around as it enables tamper-proof data sharing. The blockchain can track exactly where and when an advertisement is placed, verify

in real time the performance of the ads, automate the payment process, and confirm the authenticity of digital outlets. The records are immutable, which makes data breaches almost impossible. Digital tokens are used for payments to allow the transaction to take place instantly at nearly no cost.

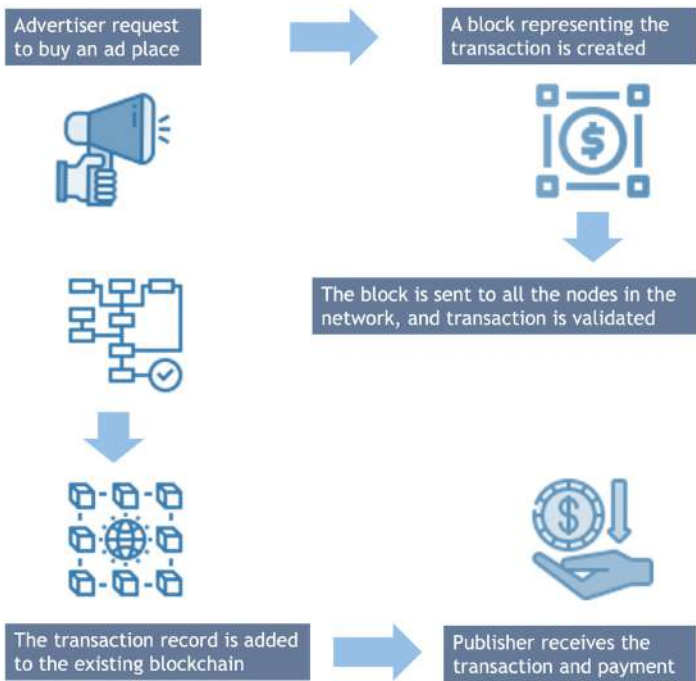
Even though blockchain seems like the ideal solution to prevent ad fraud, the adoption of this advanced technology is meeting resistance.

Regulatory uncertainty is the top concern. Even though The European Commission has a positive attitude towards EU-wide rules for blockchain,

how the technology would apply to evolving data privacy laws has not been clarified. The lack of trust by market participants - either due to lack of understanding as to how blockchain works, or doubts over how blockchain could be integrated into existing AdTech technologies - is another factor obstructing its application.

Until there is more clarity on the future of blockchain, traditional ad fraud prevention services such as DoubleVerify's Fraud Lab will remain the most popular choices on the market.

FIG 16: USE OF BLOCKCHAIN IN ADVERTISING TRANSACTIONS

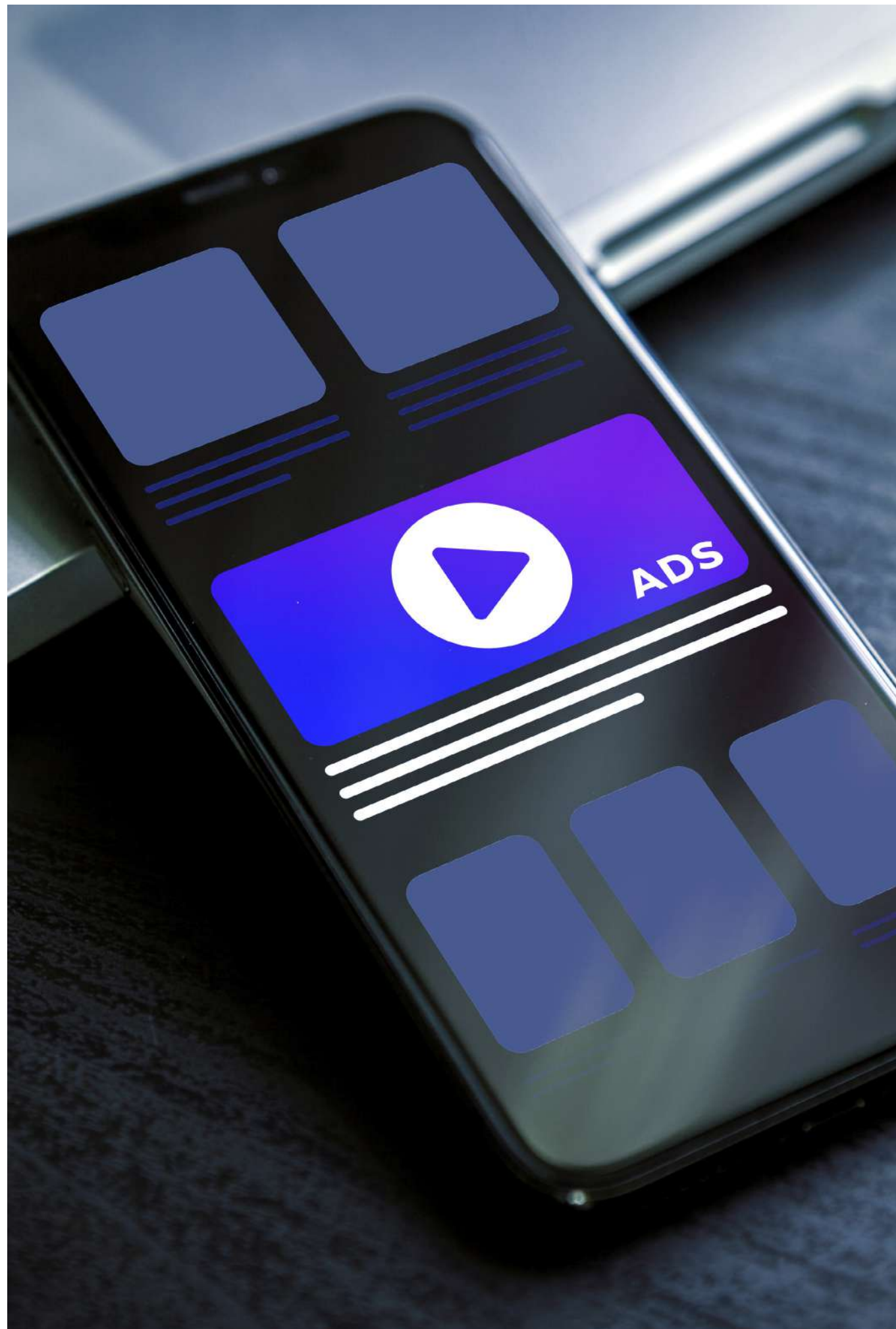


Source: Stifel*

Our top pick



Fraugster is a Berlin-based payments intelligence company that helps the e-commerce ecosystem to minimise fraud and maximise revenue by making smarter real-time business decisions. The company has a cutting-edge AI platform that turns fraud prevention into a growth engine. The company helps brands and agencies make a series of AI-driven decisions based on data enrichment, network analysis and a suit of proprietary AI algorithms. Fraugster has developed one of the most accurate AI fraud prevention solutions on the market and is backed by some of Europe's most reputable deeptech investors.



EUROPEAN ADVERTISING AGENCY MARKET: DIVERSE, ACTIVE AND FRAGMENTED

SECTION 3



An overview of the European advertising agency market

According to BCG, combined there are around 57,000 advertising agencies and around 3,500 AdTech companies in the UK, France and Germany. About 80% of marketers in the UK and 60% in France and Germany use agencies.

FIG 17: LISTED TOP AGENCIES IN EUROPE

	Revenue in Europe FY22 EURm	Headquarter	Examples of Portfolio
WPP	6,134*	London	Ogilvygroupm AKQA GREY WUNDERMAN THOMPSON mediacom bcw
Omnicom	3,765	New York	TBWA BBDO PHD & Hearts & Science M&P annalect omni CONE
Publicis	2,879	Paris	Digitas Zenith SAATCHI & SAATCHI publicis sapient Starcom EPSILON
Dentsu	1,538	Tokyo	CARAT dentsu x iPROSPECT MERKLE iSiD B2B
IPG	1,413	New York	FCB M/GNA UM McCann Initiative rapport REPRISE
Havas (Vivendi)	1,113*	Paris	BUZZMAN 9 BATTERY GATEONE ANNEX CAMP KING
S4 Capital	208*	London	media.monks MIGHTYHIVE zemoga DARE WIN M&P miyagi
Stagwell	178*	New York	MDCX Partners KQUALIFIED PRophet The Harris Poll around

When it comes to advertising, Europe cannot be treated as a single market. There are 24 official languages in Europe and consumer behaviour in each country varies. The need for local expertise has led to opportunities for local players and specialised agencies

to establish prominent positions in domestic markets.

Different sectors in the advertising ecosystem in Europe are converging. Agencies, consultancies, AdTech providers, and publishers all compete

with each other in various areas seeking new ways to stand out in the crowded market. The boundaries of competition are blurring, and the competitive landscape is becoming increasingly complex to navigate.

FIG 18: DIGITAL ADVERTISING VALUE CHAIN AND COMPANY LANDSCAPE IN EUROPE



Source: Stifel*



Our top picks

ÄIVEN

Äleven is a full-service advertising agency based in Stockholm, Sweden. The company aims to build and invest in forward-thinking agencies that are dedicated to helping clients navigate and flourish in the digital era. The company’s core services include creative production, digital strategy, business design, digital advertising, and tech and development. The team consists of skilled commercial experts and company builders who are at the forefront to push the digital transformation agenda forward.

DEPT

Dept is an Amsterdam-based advertising agency backed by the Carlyle Group. The company creates end-to-end digital marketing experiences for brands and has over 3500 digital specialists who deliver pioneering work on a global scale. The company helps brands to digitise processes, products, services and transactions by designing personalised customer experiences and crafting creative storytelling. As a global software consultant, Dept also helps to build and implement efficient technology solutions that deliver real business value.

One-stop shop or specialised agency?

Since the rise of digital advertising, many pure-digital advertising agencies have been created while traditional full-service agencies who already had creative and media arms are expanding their digital capabilities. As the

transition towards a more standardised and cost-efficient digital advertising space continues, agencies are under increased pricing pressure from clients. Traditional full-service agency leaders now consider lower-cost specialist

firms their biggest threat. Which type of agency to choose depends on business needs, but one thing we know for sure is that both types will continue to evolve prompted by technological advancement.



Our top picks



UGW has been one of Germany’s leading marketing agencies for years. The company is headquartered in Wiesbaden and is a one-stop advertising shop that covers the complete spectrum of marketing, communication and sales-relevant tasks in the advertising value chain. The team of over 200 advertising experts are always at the forefront of identifying top marketing trends, allowing them to make a decisive contribution to clients’ marketing success. The company is an official partner of Microsoft and Google.



Australie Gad is an independent group of communication agencies based in Paris, France. The company has over 200 experts who offer clients complete support on communication, brand building and digital transformation. Australie Gad covers every link of the advertising value chain and provides services including strategy consulting, media planning & buying, social media & influencer marketing, and customer relationship management. The company conducts in-depth research and develops high-performing campaigns for global brands.



Nayoki Group is an integrated omni-channel digital marketing agency based in Munich, Germany. The company provides a 360-degree range of services that include performance marketing, data generation, CRM, social media marketing, consulting and classic media activities. Nayoki Group bridges the gap between digital, performance-based communication and classic media. The company provides innovative strategies and a holistic approach to help clients achieve success in their ad campaigns.



Heroiks is a Paris-based one-stop advertising agency backed by LBO France, a French Private Equity fund. The company employs more than 400 people and has strong expertise in media planning & buying, search engine optimisation, data analytics, content design and consulting. Heroiks has a focus on customer acquisition and is a leader in the e-commerce advertising space. It helps brands create sustainable growth and remain agile in an ever-changing digital world.



INVNT Group is a New York-based experiential marketing agency that creates powerful interactions between brands and their audiences across various platforms and channels. The company’s services include brand strategy, culture consultancy, branded content, live experiences, employee training and development, and content marketing. INVNT Group has a proven record of accretive acquisitions and manages a portfolio of award-winning agencies. The company has partnerships with a large number of blue-chip enterprises.

Advertisers simply cannot live without agencies in the digital age

While disintermediation has been a buzzword for years, we see very little advertising budget shift away from agencies. The reason behind this is that all businesses rely on advertising for growth, and they need agencies' expertise to navigate through today's ever-changing digital advertising world. More than 60% of marketing leaders who participated in the 2021 CMO survey reported that their companies have little to no experience in increasingly complex marketing technologies.

Creating a fully functional digital advertising team in-house takes time and involves huge costs. Digital advertising agencies can help with one or more steps along the value chain. Take media buying for example, in 2021, 50% of advertisers in Europe had an in-house model, but this number dropped significantly to 16% in 2022 due to the rapid adoption of programmatic advertising, according to IAB Europe. Agencies are keen observers of market trends and are the first movers in adding digital capacities.

After seeing how complicated the digital advertising ecosystem is, it is not hard to conclude that partnering with a digital advertising agency, whether full-service or specialist, is becoming more and more essential for marketing success. We believe that advertising agencies who are actively expanding their digital presence and data-centric analytical capabilities are likely to be the winners of tomorrow.

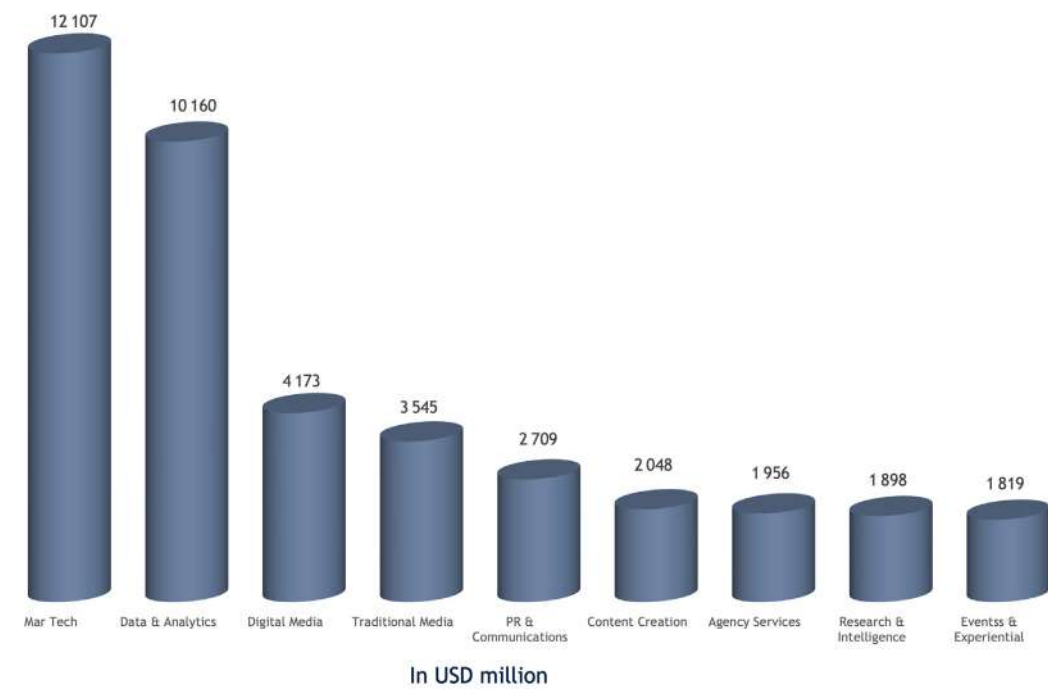
A DYNAMIC M&A MARKET FOR ALL PLAYERS

SECTION 4



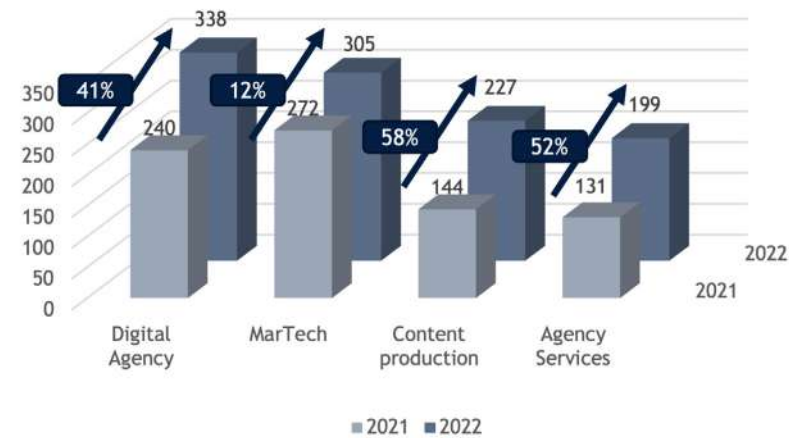
2022 witnessed a thriving M&A scene in the Digital Agency, Agency Services, MarTech and Content Creation sectors. Combined, these sectors represent 44% of all of 2022 M&A activity within the entire technology space in terms of deal volume. The Digital Agency sector achieved the highest number of deals with 338 transactions, a 41% increase compared to the previous year. The MarTech sector experienced a growth of 12%, while Content Production saw a 58% rise in volume with 227 deals. Additionally, Agency Services delivered 199 deals, an increase of 52% from the previous year.

FIG 19: DISCLOSED DEAL VALUE BY SECTOR IN 2022



Source: Ciesco

FIG 20: DEAL VOLUME GROWTH



Source: Ciesco

Agencies remain active consolidators

In 2022, the six largest advertising holding networks completed a total of 30 acquisitions, representing a 100% increase compared to the previous year. Among them, Havas was the most active and completed eight deals. Havas acquired companies specialising in digital marketing and experience, data, research, e-commerce, creative services, and healthcare communications. WPP followed as the second most active with seven deals. Publicis acquired six companies, Dentsu acquired five, Omnicom acquired three, and IPG acquired one. challenge legacy agency networks. S4 Capital acquired three companies and Next15 acquired two, which included the UK business of Engine Group for USD 100mn.

In the mid-market agency space, M&A activities remained stable compared with the 2021 level. Stagwell made 10 significant transactions in the sector to

FIG 21: ADVERTISING AGENCIES' ACQUISITIONS IN 2022



Source: Stifel*, Company Data

Consulting firms have joined the playground

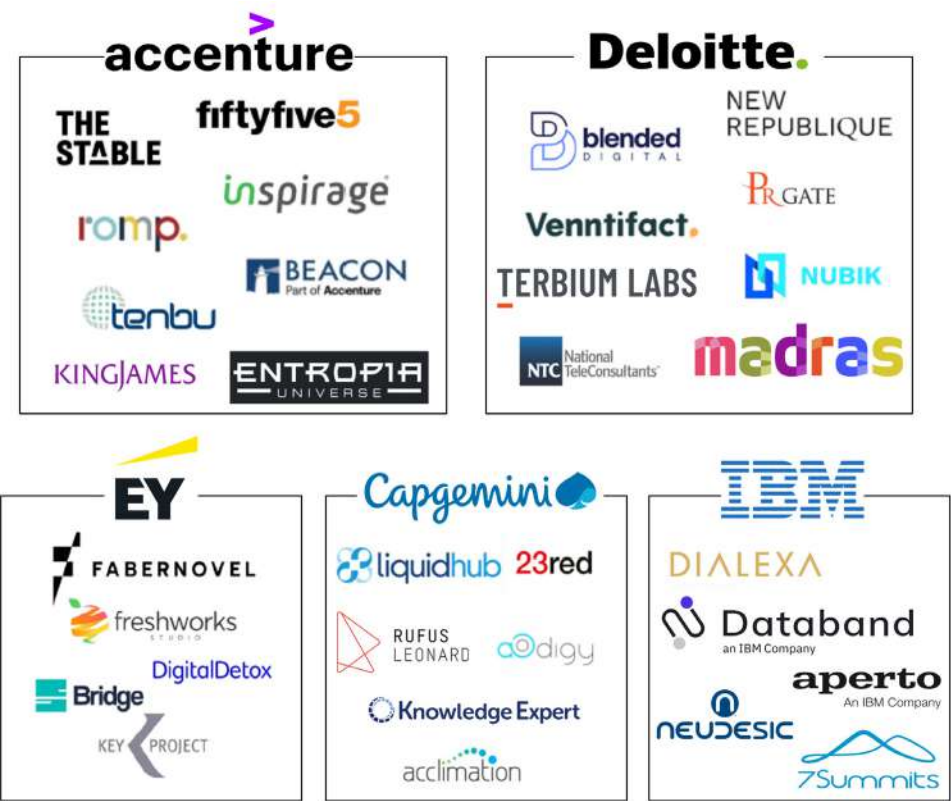
Consulting firms have also noted the huge opportunities brought by the digital era and have been chasing advertising agencies for around a decade now. Major consulting firms have made quite a number of acquisitions in the past to expand their creative, design and marketing offerings.

Today, the digital advertising arms of the largest consulting firms -Accenture Song, PwC Digital Services, IBM iX and Deloitte Digital – are just behind the big four (WPP, Omnicom, Publicis and IPG) in terms of revenue. Although

agencies have been put under pressure to adapt their models and augment their offerings, it is highly unlikely that consulting firms will replace advertising agencies. The two types of service providers have distinct areas of expertise. Advertising agencies have a long-established moat of creative offerings and experiences in creating and executing a full range of tasks involved in advertising campaigns, while as evidence has suggested, consultancies are more relied upon for their strategic guidance capabilities.

In 2022, there was a notable surge in the number of deals in the consultancy sector compared to the previous year. Accenture and Deloitte are leaders in the advertising space, each has six deals made. Media planning consultancies will continue to play a critical role in the industry transformation, and we expect further M&A activity in this sub-sector in 2023.

FIG 22: SIGNATURE ACQUISITIONS OF DIGITAL ADVERTISING AND DATA SOLUTION COMPANIES BY CONSULTANCIES



Source: Stifel*, Company Data

Our top picks

ARTEFACT

Artefact is a Paris-based digital service agency that specialises in data consulting and data-driven digital advertising. The company offers a comprehensive range of data-driven solutions built upon deep data science and AI technology including precision marketing, data governance and multi-channel campaign management. Artefact is dedicated to transforming data into business impact across the entire value chain of organisations.

diva^e

Diva-e is a leading digital service provider based in Munich, Germany. The company is data-driven and provides services that cover the whole digital value chain, including strategy consulting, performance implementation, AI-based data analysis and cloud services. Diva-e works with leading global technology partners such as Adobe, SAP and Microsoft. The company is an expert in enhancing customer interactions and has a proven record of achieving sustained success for clients.

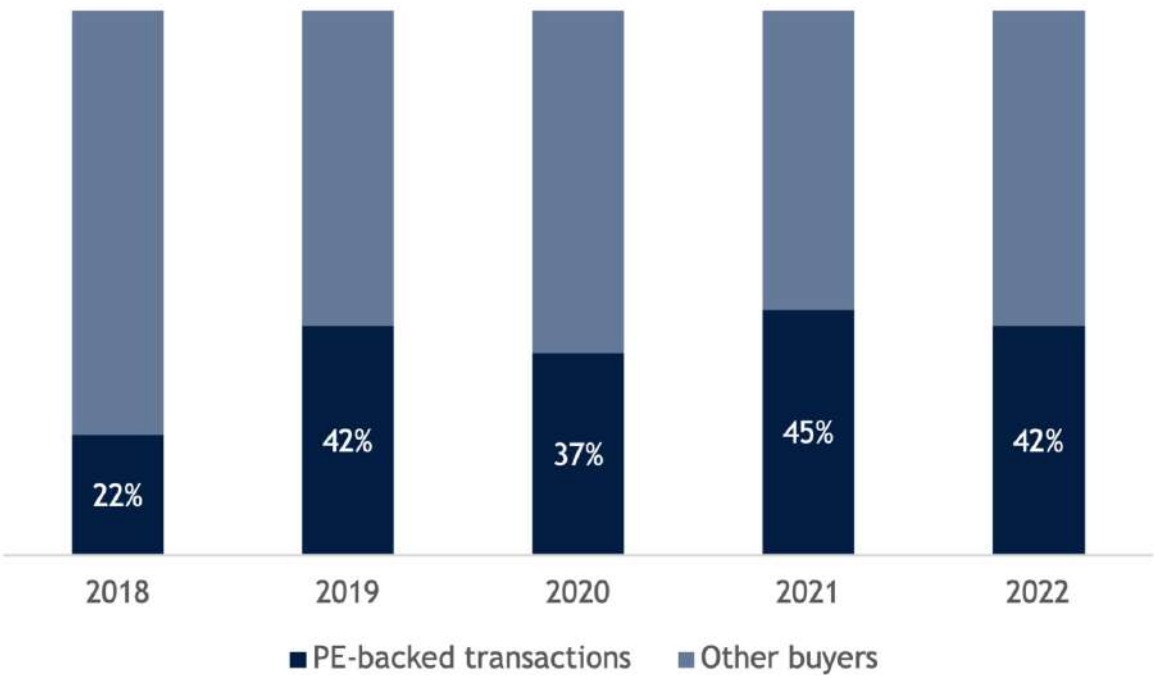
Private equity funds are increasingly investing in the digital advertising industry, facilitating sector consolidation

Private equity funds have also been very active in the digital advertising space in recent years. The number of global private equity-backed deals in 2022 showed a year-on-year increase of 11% in the technology, digital, media and marketing sectors, representing 42% of all deals. With an upward trend in funds raised, PE buyers will continue to be active and have a strong presence. The industry is estimated to hold USD 2tn in dry powder funding, which is poised to support PE funds’ ongoing activities.

The focus of PE groups has been on acquiring companies that offer innovative solutions for digital advertising, such as programmatic advertising, social media & influencer marketing, and data-driven solutions. The Carlyle Group was the most active PE buyer and backer in 2022 with 13 deals, while Providence Equity Partners, Kohlberg Kravis Roberts, and Providence Strategic Growth each closed eight deals.

For example, Dept, a full-service advertising agency backed by The Carlyle Group, announced six deals in 2022 — four in the USA (Raybeam, Hello Monday, 3Q Digital and Melon), one in Belgium (Dogstudio), and one in the UK (Shoptalk).

FIG 23: PERCENTAGE OF DEAL VALUE BY PE BUYERS IN THE TECHNOLOGY, DIGITAL, MEDIA AND ADVERTISING SECTORS, 2018-2022




Source: Ciesco

FIG 24: EXAMPLES OF EUROPEAN ADVERTISING AGENCY TRANSACTIONS BACKED BY PRIVATE EQUITY GROUPS

Date	Company	Country	Description	PE buyer	Enterpris e Value (m€)	Revenue (m€)	EBITDA (m€)	EV / Revenue	EV / EBITDA
Jan-23	Mazarine		Entertainment, creation and innovation agency	LBO FRANCE	n.a.	182	n.a.	n.a.	n.a.
Aug-22			Influencer marketing company	N26	n.a.	7.9	n.a.	n.a.	n.a.
Sep-21	ARTEFACT		Interactive agency specialised in online marketing services	ARDIAN CATHAYCAPITAL KUBUS	334.8	75.0	13.1	4.5x	25.5x
Jul-21	LABELIUM		Digital marketing strategy consulting and project management	charterhouse	300	n.a.	20	n.a.	15x
Mar-21	SIDESHOW GROUP		Provides digital marketing and brand experience services	WATERLAND PRIVATE EQUITY INVESTMENTS	114	n.a.	11.8	n.a.	9.7x
Mar-21	NODE4		Cloud-led digital transformation Managed Services Provider	PROVIDENCE EQUITY PARTNERS	n.a.	65.2	17.9	n.a.	n.a.
Mar-21	disguise		Leading provider of extended reality (xR) technology	THE CARLYLE GROUP	n.a.	n.a.	n.a.	n.a.	n.a.
Feb-21	JAKALA		Offers marketing consultancy services	ARDIAN	n.a.	300	n.a.	n.a.	n.a.
Dec-19	DEPT.		Digital, creative and marketing agency	THE CARLYLE GROUP	n.a.	n.a.	n.a.	n.a.	n.a.
Sep-19	AVANTGARDE		Brand experience and retail-as-a-service services provider	EMERSON	n.a.	80	n.a.	n.a.	n.a.
Jul-18	SMARKETER		Performance marketing service provider	EMERSON	n.a.	n.a.	n.a.	n.a.	n.a.
Jun-18	HEROIKS		Agency that specializes in media planning and media buying	LBO FRANCE	130	n.a.	n.a.	n.a.	n.a.
Jan-15	CLEVER AGE		Digital and mobile consultancy and design specialist	ARDIAN	n.a.	14	n.a.	n.a.	n.a.
Dec-13	P/A		Full-service digital advertising agency	EQUISTONE	219.5	131	n.a.	1.7x	n.a.

Source: Merger Market, CF News, Orbis, Financial Times, Capital Finance, Company Data

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