

**Digital Marketing Market Map**

## Marketing Software Continues to be an Active Sector in 2016

We believe that M&A and investment activity seen in 2016 will continue to accelerate as several trends continue to shape the digital marketing landscape

<b>Strong Market Growth</b>	<ul style="list-style-type: none"><li>• We are only partly through the growth phase of upgrading and expanding the enterprise marketing stack</li></ul>
<b>CMO Influence Grows</b>	<ul style="list-style-type: none"><li>• CMOs are wielding increasing purchasing power and influence over marketing software solutions</li></ul>
<b>Complexity Increases</b>	<ul style="list-style-type: none"><li>• Areas like mobile, social, integrated analytics, and personalization make the creation of a marketing solution much more challenging</li></ul>
<b>SaaS model Speeds Adoption</b>	<ul style="list-style-type: none"><li>• The emergence of enterprise SaaS model companies greatly eases purchasing, integration and flexibility</li></ul>
<b>Emergence of Platforms</b>	<ul style="list-style-type: none"><li>• Platform vendors pursuing full solution suites through organic development and inorganic acquisitions</li></ul>
<b>Personalization Hits its Stride</b>	<ul style="list-style-type: none"><li>• Pure-play, data-driven personalization and eCommerce optimization becomes a key category</li></ul>

# Overall Market Growth Remains Strong

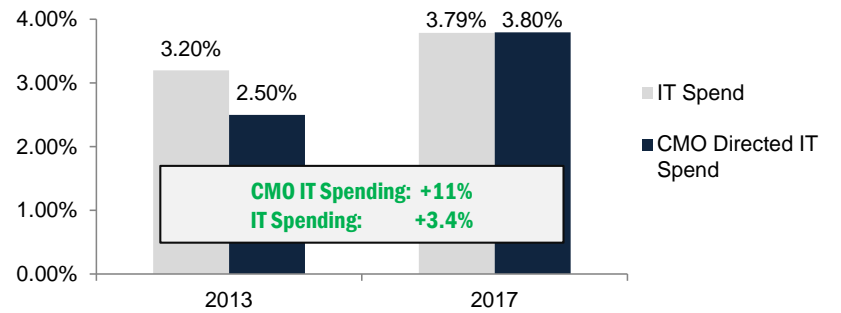
The foundational elements of digital marketing will continue to grow quickly even as they mature – emerging point solutions are growing even faster

## Key Drivers

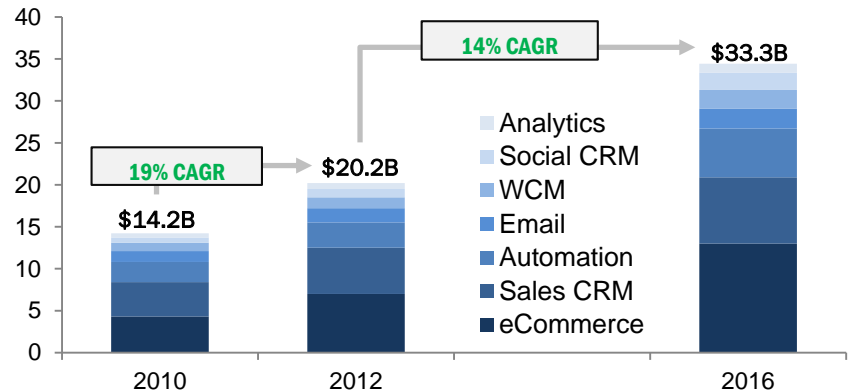
- The CMO is the new CIO
  - CMO tech budgets are expected to grow at 11% per year, compared to 3% for CIOs
  - Solutions that demonstrate rapid time-to-value and robust integration will be beneficiaries of the CMO directed spend
- SaaS delivery is expanding the market
  - Lower cost and flexible solutions expand the market
- The marketing stack as a competitive advantage
  - Successfully integrating customer touch points, analytics, and internal workflow software allows CMOs to create more effective campaigns

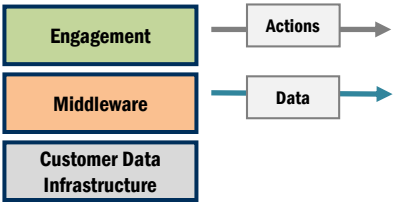
Source: Gartner, Forrester, Technavio

## CMO v. CIO Spending (% of Revenue)

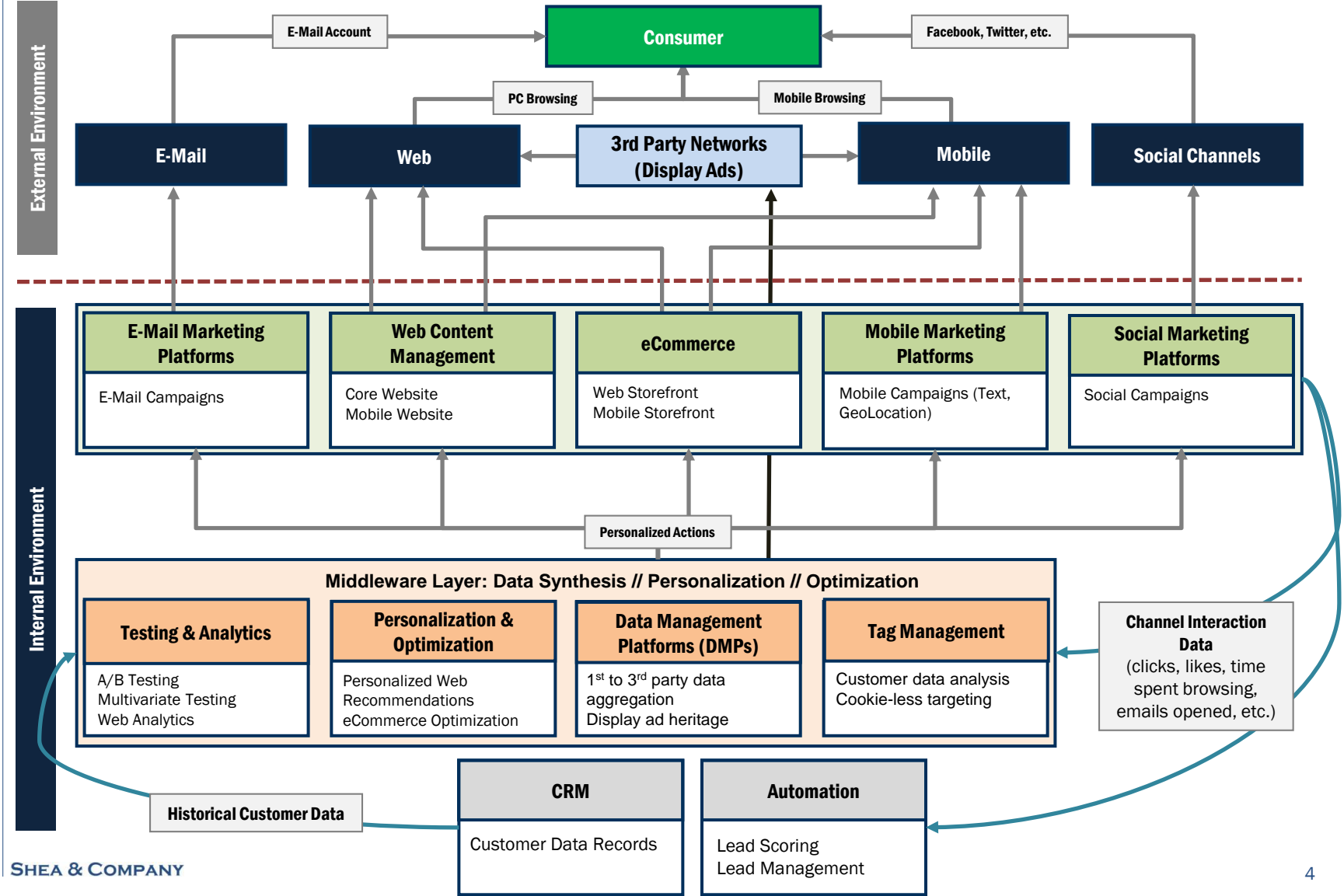


## Digital Marketing Market Size


































# Marketing Software is an Extremely Complex Ecosystem . . .



## ... Creating Demand for Simplicity through Consolidation

Examining acquisition activity of the major acquirers highlights the trend towards large acquirers beginning to assemble platforms

Acquirer	Infrastructure Applications				Customer Engagement			Data Management & Action				
	CRM	Automation	WCM	eCommerce	E-mail	Social	Web	Testing	Personalization	eCommerce Optimization	Data Management	Tag Management
		 in 2013 for \$600M	 in 2010 for \$240M		 in 2013 for \$600M	 in 2011 for \$400M	 in 2010 for \$240M	 in 2009 for \$1.8B			 in 2011 for \$58M	
		 in 2010 for \$480M		 in 2010 for \$1.4B	 in 2014 for \$275M			 in 2010 for ~\$275M				
	 in 2011 for \$1.5B	 in 2012 for \$870M	 in 2011	 in 2010 for \$1B	 in 2013 for \$1.5B	 in 2012 for \$300M	 in 2011				 in 2014 for \$400M	
		 via ExactTarget			 in 2013 for \$2.2B	 in 2012 for \$689M					 via ExactTarget	
		<b>Adobe Partnership</b>		 in 2013 for \$1.3B	<b>Adobe Partnership</b>							

## Maturing Sectors Provide a New Crop of Acquirers . . .

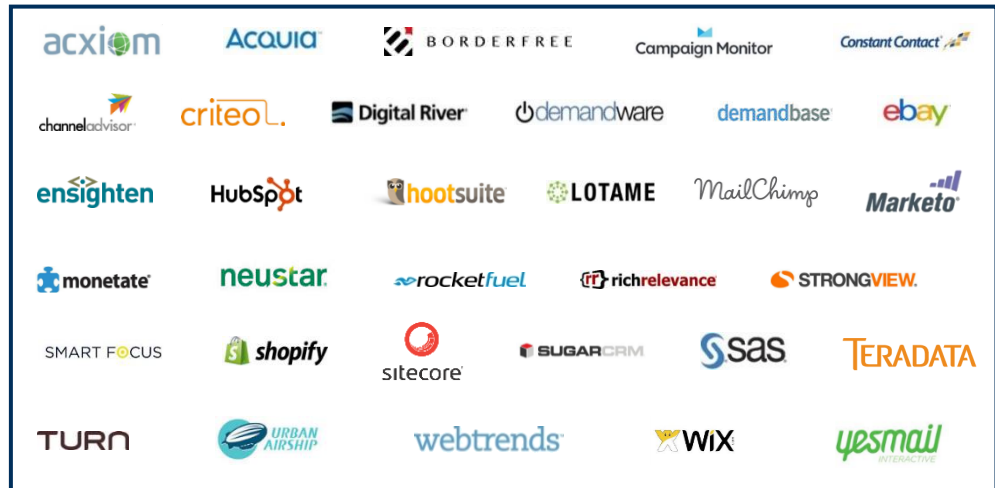
Vendors reaching scale in their heritage markets are looking to broaden their product offerings through acquisitions to maintain historical growth rates

- Growing base of acquirers for marketing software
- New group of consolidators are building suites
  - Typically newly public companies outgrowing their heritage focus and needing to maintain growth
  - Actively looking to move into adjacent areas
- Increasingly competitive with the traditional enterprise acquirers, who are still extremely active































### Traditional Consolidators



### Example New Acquirers



## ... Who Have Been Very Active in Their Own Right

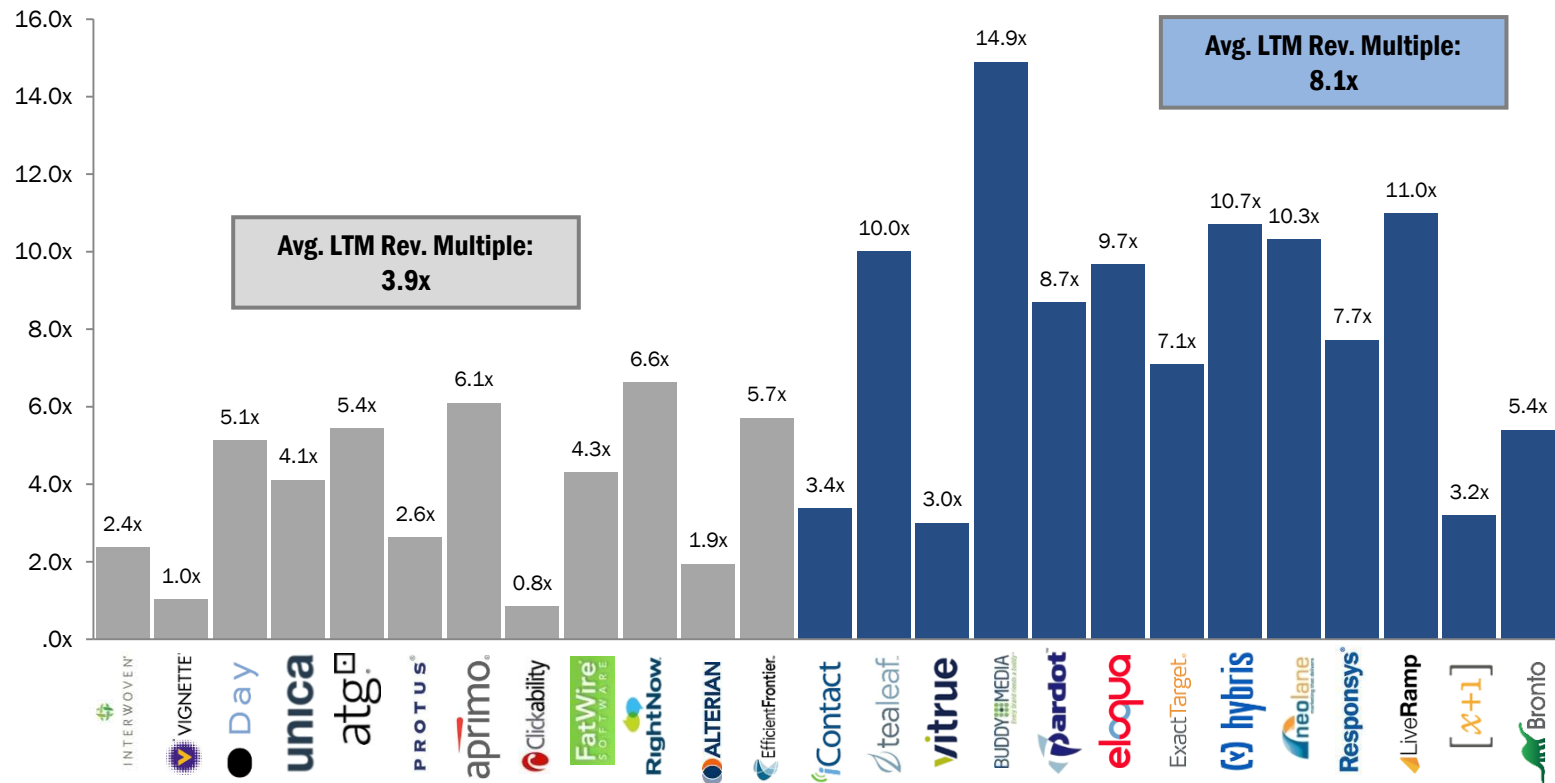
Target		Target	Date	Solution
	→	 Localytics	3/8/2017	Social Marketing
	→	 SendGrid	3/7/2017	E-mail Marketing
	→	 salesforce	1/24/2017	CRM
	→	 Return Path	11/28/2016	Social Marketing
	→	 sprinklr	11/17/2016	Optimization
	→	 salesforce	10/4/2016	Analytics
	→	 salesforce	6/1/2016	eCommerce
	→	 DEMANDBASE	5/24/2016	CRM
	→	 NICE	5/18/2016	Mobile Marketing
	→	 SAILTHRU	4/6/2016	Mobile Marketing
	→	 sprinklr	2/18/2016	Social Marketing
	→	 ENDURANCE International Group	11/2/2015	E-mail Marketing
	→	 ORACLE	8/20/2015	Web Content Management
	→		4/28/2015	eCommerce
	→	 NETSUITE	4/23/2015	eCommerce

# Multiples Across Digital Marketing are as Strong as We've Seen

Demand for high-quality marketing assets from an increasingly large group of acquirers is driving up multiples paid in acquisitions

2009 - 2011

2012 - 2015



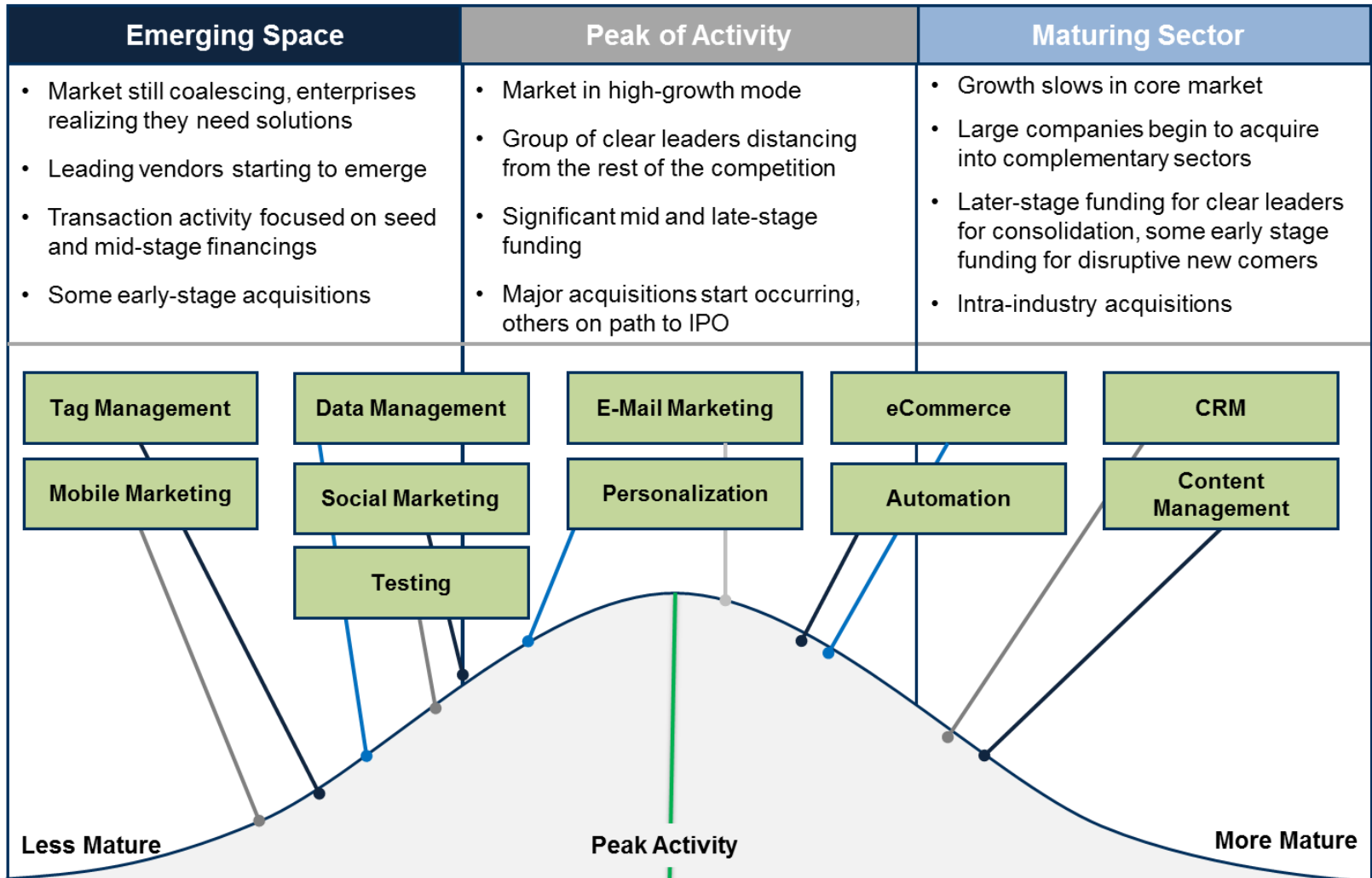


## Certain Sectors Have Matured & Consolidated, Others 'On Deck'







Sector	Private Companies at Scale (Est.)*	Major Acq. (\$150M+)	Pure-Play Public Companies
E-mail Marketing	STRONGVIEW.  SMART FOCUS  Campaign Monitor MailChimp	Bronto  Constant Contact responsys  ExactTarget.  iContact	dotMailer
Web Content Management	ACQUIA  ektron  sitecore  crownpeak WORDPRESS	FatWire SOFTWARE  Day  INTERWOVEN VIGNETTE	WIX  Limelight NETWORKS
eCommerce	Bigcommerce  KIBO  shopify	hybris  gsi commerce*  atg Magento  Sterling Commerce	demandware  BORDERFREE
Automation	Infusionsoft.  act on	unica  pardot  neolane  SILVERPOP vocus  eloqua	Marketo  HubSpot  eloqua
CRM	SUGARCRM  ZOHOCRM	Q RelateIQ  RightNow	salesforce
Social Marketing	hootsuite  Lithium  Spredfast ATTENSITY  hearst social  this.moment	EfficientFrontier.  vitrue BUDDY MEDIA  WILDFIRE	-
Testing / Analytics	webtrends  Optimizely  maxymiser	OMNIITURE  CORE METRICS  tealeaf.	-
Personalization / Optimization	monetate  demandbase  richrelevance Baynote  SAILTHRU	-	criteo.
Data Management	TURN  DataXu  MediaMath exelate  LOTAME  CS choicestream.	[x+1]  bluekai  aka LiveRamp  Demdex  a Neustar Service	rocketfuel
Tag Management	ensighnt  BRIGHTTAG One for All  TEALIUM	-	-
Mobile Marketing	Tapjoy  URBAN AIRSHIP  INMOBI	millennialmedia,  Jumptap.	MARCHEX.

\*\$50M in Venture Funding or estimated \$30M+ revenue







## Level of Maturity for each Sector Provides Window into Future Activity



## Our Read on Potential Transaction Activity in Each Sector

Sector	Acquisition Activity	Funding Activity
<b>E-mail Marketing</b>	 <ul style="list-style-type: none"> <li>• Game of musical chairs underway</li> <li>• A number of consolidators still need to make bets, many attractive companies</li> <li>• Larger private companies acquire into adjacent spaces</li> </ul>	 <ul style="list-style-type: none"> <li>• Later stage funding to fuel consolidation of larger independents</li> <li>• Some early stage funding for innovative newcomers (e.g. MovableInk)</li> </ul>
<b>Web Content Management</b>	 <ul style="list-style-type: none"> <li>• Market has played out over the last 5 years</li> <li>• Only a few integrated suites do not have WCM and a small handful of private companies at scale</li> </ul>	 <ul style="list-style-type: none"> <li>• Potential for additional later stage funding for companies on IPO track (Acquia, Wordpress)</li> <li>• Little early-stage funding as market is highly competitive</li> </ul>
<b>eCommerce</b>	 <ul style="list-style-type: none"> <li>• Acquisition activity primarily results from newly public, large companies acquiring into new spaces</li> <li>• Potential for a vendor like Adobe or Salesforce to make an acquisition as they have no existing solution</li> </ul>	 <ul style="list-style-type: none"> <li>• Growth stage funding for companies making progress at the SMB level</li> </ul>





## Our Read on Potential Transaction Activity in Each Sector (cont.)

Sector	Acquisition Activity	Funding Activity
CRM	 <ul style="list-style-type: none"> <li>Little acquisition activity, as most vendors have built their platform on CRM and independent companies are in growth stage</li> </ul>	 <ul style="list-style-type: none"> <li>Early stage funding for companies (e.g. RelateIQ) that are offering innovative, 'CRM 2.0' solutions</li> </ul>
Automation	 <ul style="list-style-type: none"> <li>Automation has largely consolidated and most large integrated suites have automation as key piece of infrastructure alongside CRM</li> </ul>	 <ul style="list-style-type: none"> <li>Late and growth stage funding for the many companies pushing automation into the SMB level</li> </ul>
Testing	 <ul style="list-style-type: none"> <li>Many of the historical acquisitions happened years ago</li> <li>Testing becoming an integral piece of the stack – interest from vendors looking to add a solution for the 1<sup>st</sup> time or upgrade existing solutions</li> </ul>	 <ul style="list-style-type: none"> <li>Growth stage funding as vendors look to move away from legacy testing and expand solutions into the personalization market</li> </ul>

## Our Read on Potential Transaction Activity in Each Sector (cont.)

Sector	Exit Activity	Funding Activity
Personalization	<ul style="list-style-type: none"> <li>High potential for acquisition activity – no major acquisitions have been made and many attractive companies</li> <li>One of the hottest areas in digital marketing</li> </ul>	<ul style="list-style-type: none"> <li>Several interesting companies ready for Series B / C funding</li> <li>Additional later-stage funding as vendors take advantage of market demand</li> </ul>
Data Management	<ul style="list-style-type: none"> <li>BlueKai / Oracle could be the first domino to fall in a wave of acquisitions</li> <li>Many late-stage rounds were raised within the last 2 years – companies will be pursuing exit or additional funding</li> </ul>	<ul style="list-style-type: none"> <li>Late-stage funding – many Series B rounds were raised within last 2 years and fast-growing companies will need to fill the tank</li> </ul>
Tag Management	<ul style="list-style-type: none"> <li>Potential for integrated suites to pick off a perceived market leader as an early play</li> </ul>	<ul style="list-style-type: none"> <li>Early stage funding as additional companies enter the space</li> </ul>

## Our Read on Potential Transaction Activity in Each Sector (cont.)

Sector	Exit Activity		Funding Activity	
<b>Mobile Marketing</b>		<ul style="list-style-type: none"> <li>Enterprises are just beginning to realize they need these solutions, will likely wait for a group of companies to break away from the pack before making acquisitions</li> </ul>		<ul style="list-style-type: none"> <li>Market is only beginning to coalesce</li> <li>Relative to other segments, very little funding has come into the space</li> </ul>
<b>Social Marketing</b>		<ul style="list-style-type: none"> <li>Many of the large consolidators have made entry acquisitions into the space (BuddyMedia, Vitruve, etc.)</li> <li>Additional acquisitions over time as vendors fill-in functionality</li> </ul>		<ul style="list-style-type: none"> <li>Growth and late-stage funding for vendors achieving scale</li> </ul>

**Sector Snapshots**

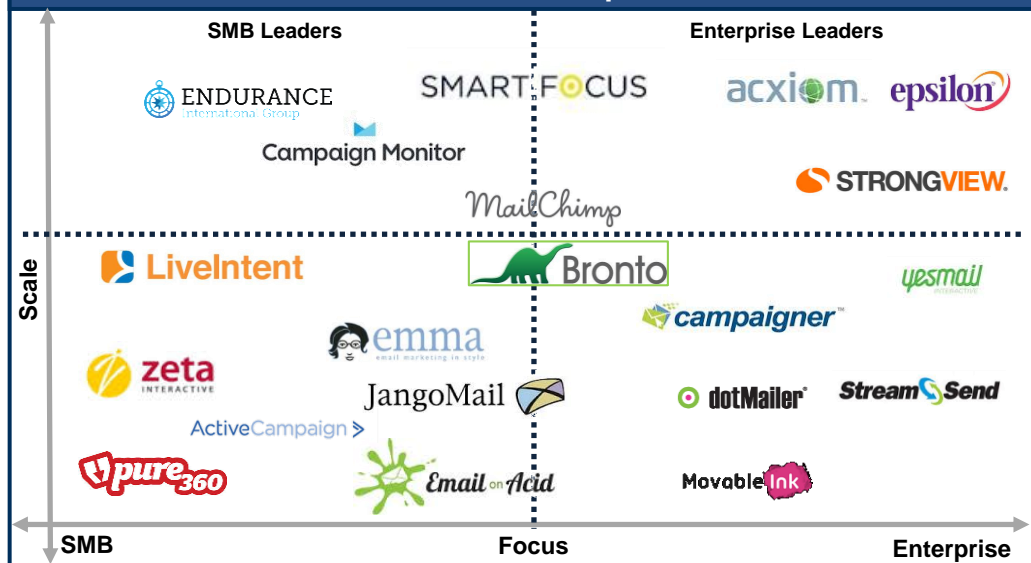
*Analysis of Trends, Transactions and Leading Players*

# E-Mail Marketing

## Our View on the Market

- E-mail marketing solutions are seen as true foundational elements of platforms
- Winning vendors have proven ability to diversify away from core e-mail into adjacent areas (e.g. ExactTarget w/ Pardot, iGoDigital)
- Among the strongest sectors in terms of activity over the past 6 months following ExactTarget and Responsys
- A few consolidators still need to place bets

## Market Landscape



## Notable Transactions

Target	Acquirer	Value	Multiple
Responsys	Oracle	\$1,607M	7.7x
Neolane	Adobe	\$600M	10.5x
ExactTarget	Salesforce	\$2,500M	7.1x
Constant Contact	Endurance	\$1,100M	2.6x
<b>Average</b>		<b>\$1,155M</b>	<b>7.6x</b>

## Notable Financings

Company	Investors	Year	Total
LiveIntent	First Round Capital	2015	\$33M
Campaign Monitor	Insight Venture Partners	2014	\$250M
MovableInk	Intel Capital, Contour	2013	\$11M

Source: 451 Research, PitchBook



# Web Content Management

## Our View on the Market

- Game of musical chairs is almost played out at the enterprise level though a few consolidators still need to make bets
- SaaS adoption continues to lag other sectors, though managed service offerings become key differentiators for leading vendors
- Open-source companies like Acquia / Drupal continue to expand user base and take market share, especially at the SMB level

## Market Landscape



### Notable Transactions

Target	Acquirer	Value	Multiple
Fatwire	Oracle	\$160M	4.3x
Day Software	Adobe	\$243M	5.1x
Vignette	Open Text	\$307M	1.3x
Interwoven	Autonomy	\$775M	2.8x
<b>Average</b>		<b>\$280M</b>	<b>3.2x</b>

### Notable Financings

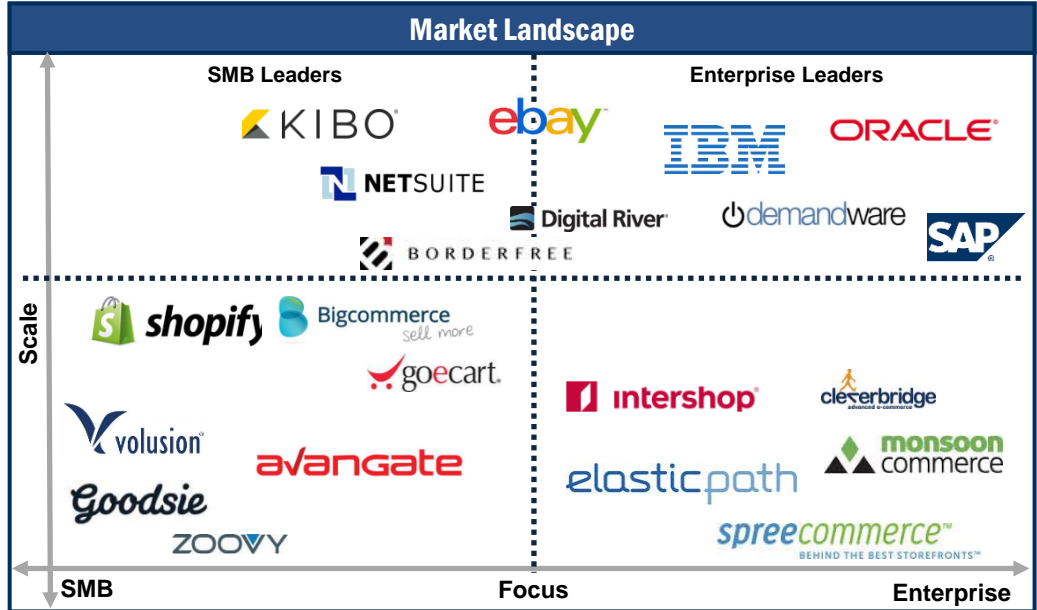
Company	Investors	Year	Total
Squarespace	General Atlantic	2014	\$40M
Ektron	Accel-KKR	2014	Conf.
Wix.com	IPO	2013	\$128M
SDL	IPO	2013	\$46M

Source: 451 Research, PitchBook

# eCommerce

### Our View on the Market

- Market is saturated at the enterprise level, with offerings from most consolidators
- Most activity taking place at the SMB level, where companies like Shopify are enjoying rapid success by delivering turn-key storefronts
- New channels (mobile, social) and a focus on global capabilities defining the best products in the market
- We anticipate additional funding and acquisitions as the next group of leaders emerge



### Notable Transactions

Target	Acquirer	Value	Multiple
Venda	Netsuite	\$50M	2.5x
Hybris	SAP	\$1,341M	10.7x
GSI Commerce	eBay	2,139M	1.6x
ATG	Oracle	\$1,000M	5.4x
<b>Average</b>		<b>\$1,133M</b>	<b>5.1x</b>

### Notable Financings

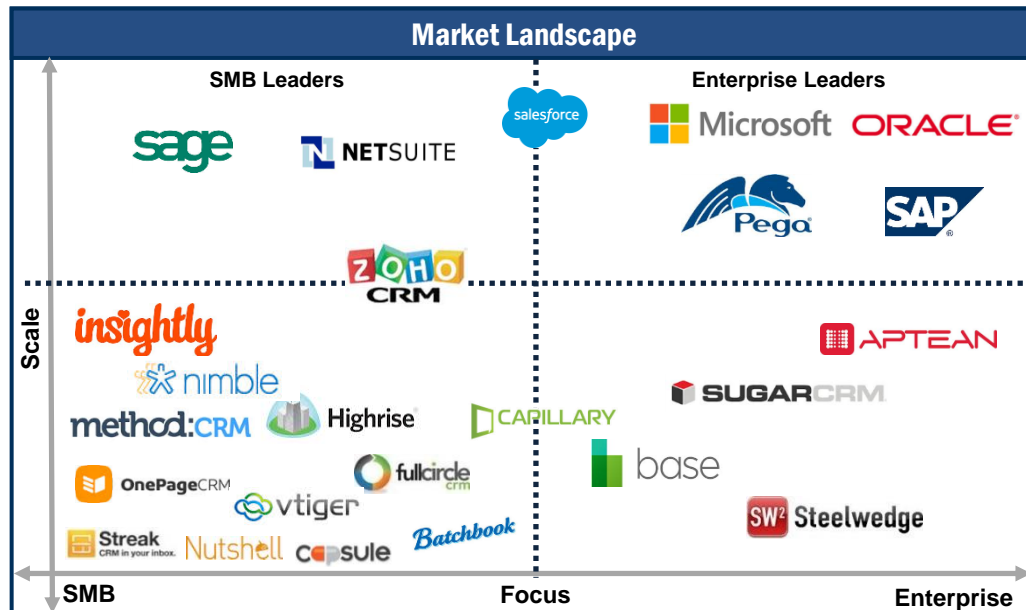
Company	Investors	Year	Total
Shopify	IPO	2015	\$150M
Volusion	Main Street Capital	2015	\$55M
Bigcommerce	Revolution	2015	\$55M
Snapdeal	eBay	2014	\$134M

Source: 451 Research, PitchBook

# Core CRM

### Our View on the Market

- The consolidation game hasn't quite begun yet. However, larger players have been adding capabilities (e.g. Social) to their systems via acquisition
- Entering a '2.0 phase' of this mature market, where startups are challenging larger incumbents by offering better functionality, intelligence and vertical plays
- The SaaS trend is accelerating in CRM, as 40% of CRM systems are consumed via SaaS
- SMB is fastest growing segment of the market



### Notable Transactions

Target	Acquirer	Value	Multiple
RelateIQ	Salesforce	\$392M	NM
Parature	Microsoft	\$100M	NA
Rightnow	Oracle	\$1,521M	7.0x
<b>Average</b>		<b>\$671M</b>	<b>7.0x</b>

### Notable Financings

Company	Investors	Year	Total
Capillary	Warburg	2015	\$45M
Base CRM	Tenaya	2015	\$30M
Totango	Canvas Venture Fund	2014	\$16M
SugarCRM	Goldman Sachs	2013	\$40M

Source: 451 Research, PitchBook

# Automation Platforms

### Our View on the Market

- Automation is still a greenfield market, with only 5% penetration
- SMB driving market growth
- Current players face competition from the explosion of startups in the space and integrated suites from the large consolidators
- Among the most active spaces in recent quarters with the acquisitions of Silverpop, Neolane and Eloqua
- While most consolidators have placed their bets, a few competitors of scale remain (Marketo, Hubspot)



Notable Transactions			
Target	Acquirer	Value	Multiple
Vocus	Cision	\$447M	2.2x
Silverpop	IBM	NA	NA
Neolane	Adobe	\$600M	10.5x
Eloqua	Oracle	\$870M	9.7x
<b>Average</b>		<b>\$548M</b>	<b>6.4x</b>

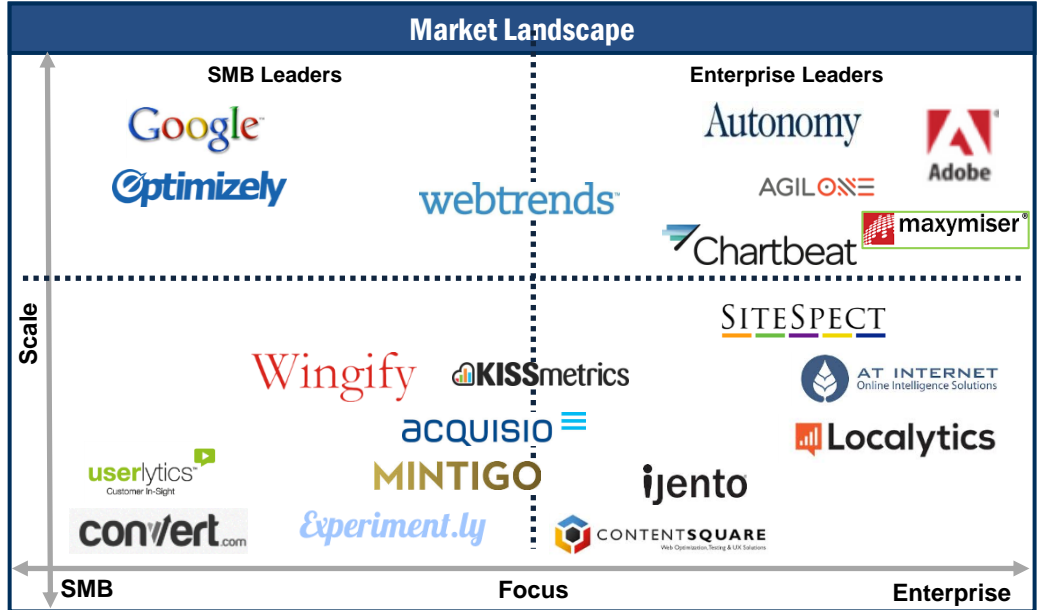
Notable Financings			
Company	Investors	Year	Total
Salesfusion	Noro-Mosely	2015	\$13.5M
Intercom	Bessemer, Social+Capital	2014	\$35M
HubSpot	IPO	2014	\$116M
Act-On Software	TCV, Trinity, Norwest	2014	\$42M
Infusionsoft	Bain Capital Ventures	2014	\$55M

Source: 451 Research, PitchBook

# Testing & Analytics

### Our View on the Market

- Testing market is split between large SMB and enterprise players
- Many multi-variate testing vendors are moving into the personalization space
- No major acquisitions have occurred for a few years, we anticipate demand for leading companies as suites add testing or upgrade existing solutions
- Importance of market grows alongside personalization market, where testing is a critical element



### Notable Transactions

Target	Acquirer	Value	Multiple
Tealeaf	IBM	\$500M	10.0x
Coremetrics	IBM	\$275M	5.0x
Omniure	Adobe	\$1,800M	5.3x
<b>Average</b>		<b>\$967M</b>	<b>7.7x</b>

### Notable Financings

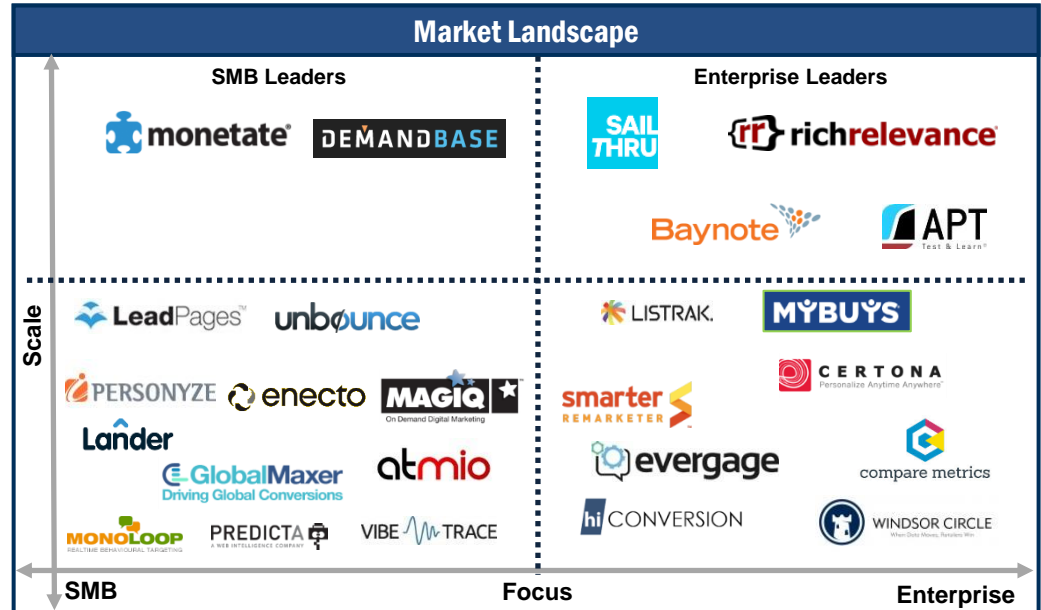
Company	Investors	Year	Total
Optimizely	Index Ventures	2015	\$59M
Localytics	Sapphire Ventures	2015	\$35M
AgilOne	Tenaya Capital	2014	\$25M
Datorama	Marker, Cedar Fund	2014	\$15M

Source: 451 Research, PitchBook

# Personalization & Optimization

### Our View on the Market

- Growing demand for personalization solutions that sit in a distinct layer between infrastructure and customer engagement assets
- Vendors differentiated by ability to ingest vast amounts of structured and unstructured data
- Market split between personalization for web and eCommerce applications
- Active market for acquisitions (no major acquisitions have occurred) and for funding as more capital flows towards leading companies



### Notable Transactions

Target	Acquirer	Value	Multiple
MyBuys	Magnetic	\$43M	NM
SeeWhy	SAP	Conf.	Conf.
Insightera	Marketo	\$20M	NM
Runa	Staples	NM	NM
<b>Average</b>		<b>NM</b>	<b>NM</b>

### Notable Financings

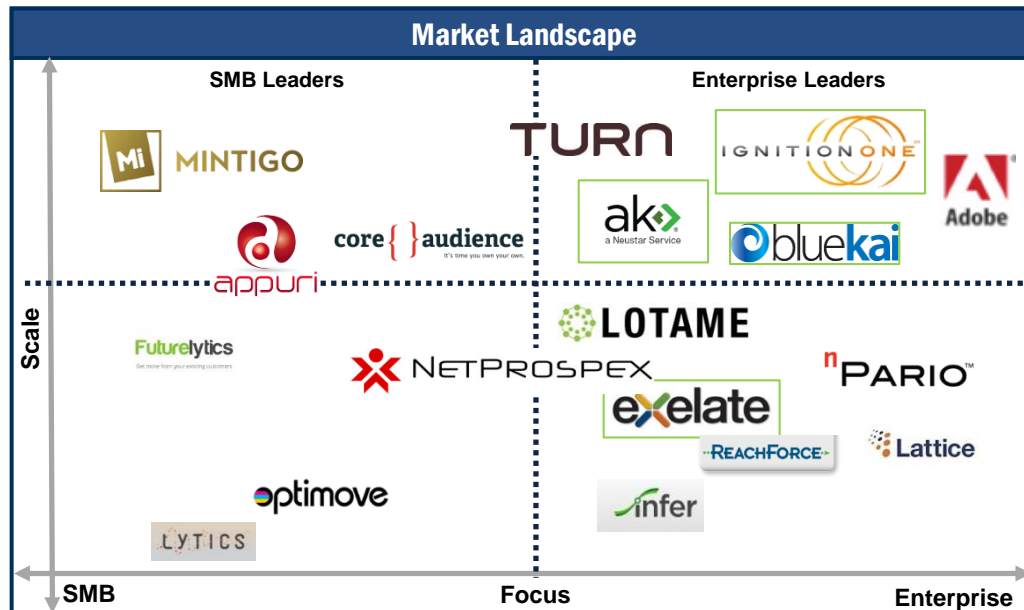
Company	Investors	Year	Total
Demandbase	Sageview Capital	2015	\$30M
Leadpages	Drive Capital	2015	\$27M
Monetate	First Round, OpenView	2013	\$10M
Sailthru	Scale Venture Partners	2013	\$20M
RichRelevance	Centerview Capital	2014	\$20M

Source: 451 Research, PitchBook

# Data Management

### Our View on the Market

- Category quickly becoming the 'data warehouse' for complete customer interaction data
- Different heritages for leading vendors, though many come from a display ad targeting background
- Leading vendors enhancing offerings by becoming the system of record for 1<sup>st</sup> party data
- Over time, becomes the platform and system of record from which personalization campaigns are launched



Notable Transactions			
Target	Acquirer	Value	Multiple
Exelate	Nielsen	\$195M	5.6x
[X+1]	Rocket Fuel	\$230M	3.2x
LiveRamp	Acxiom	\$310M	11.0x
Bluekai	Oracle	\$400M	NA
<b>Average</b>		<b>\$313M</b>	<b>NM</b>

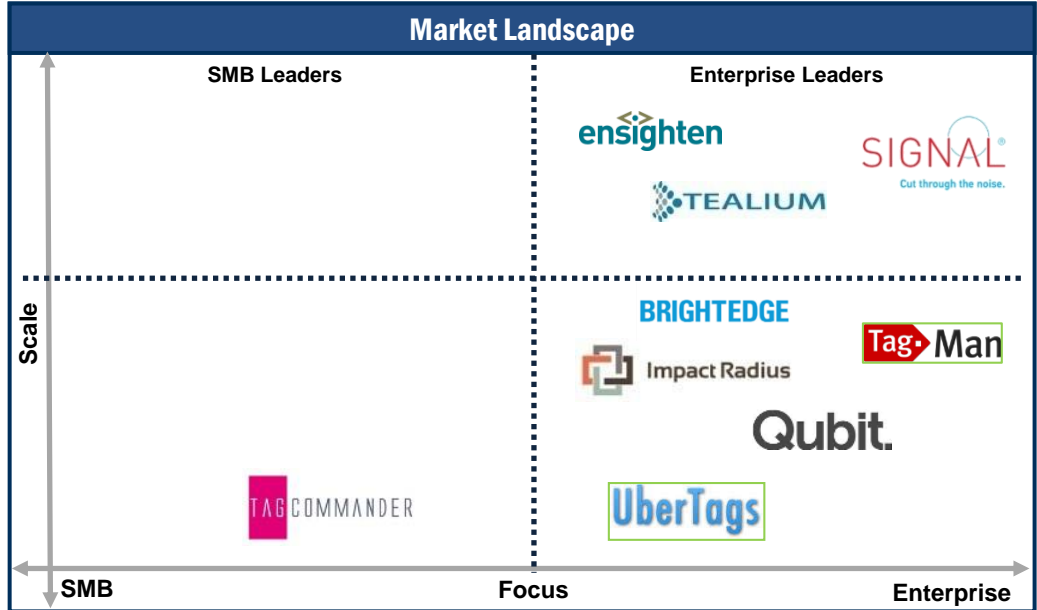
Notable Financings			
Company	Investors	Year	Total
Lytics	Comcast Ventures	2014	\$7M
Lotame	Sozo, TrueBridge	2014	\$11M
Turn	BlackRock	2014	\$80M
Mintigo	Adams Street, Sequoia	2013	\$10M

Source: 451 Research, PitchBook

# Tag Management

### Our View on the Market

- An early space in a 'land grab' as demand for management of user-generated tags grows and cookie-based targeting becomes less effective
- By managing customer interaction data, vendors are well-positioned to be platforms to launch personalization applications
- All the vendors we have spoken with are experiencing rapid growth
- We expect vendors to build application portfolios on top of their infrastructure in the coming years



Notable Transactions			
Target	Acquirer	Value	Multiple
TagMan	Ensignten	NM	NM
Ubertags	[X+1]	NM	NM
<b>Average</b>		<b>NM</b>	<b>NM</b>

Notable Financings			
Company	Investors	Year	Total
Ensignten	Insight, Volition	2015	\$53M
Tealium	Georgian	2014	\$31M
Qubit	Accel	2014	\$26M
Signal (BrightTag)	Yahoo, Baird Capital	2013	\$27M
BrightEdge	Insight, Altos, Battery	2013	\$43M

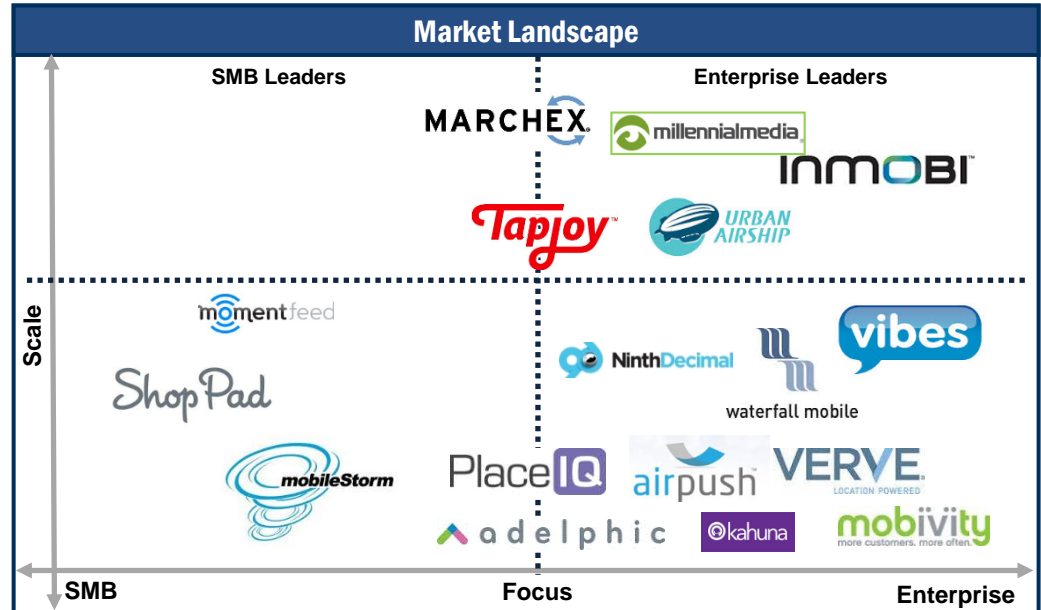
Source: 451 Research, PitchBook



# Mobile Marketing

### Our View on the Market

- Market is just beginning to emerge and enterprise are starting to spend real money on these solutions
- Leading vendors support mobile-first campaigns through push notifications, QR codes, location-based targeting, etc.
- Fragmented from a functionality standpoint, and we expect category leaders will emerge for mobile campaigns to mobile commerce
- We anticipate primary transaction activity will be growth stage funding for emerging leaders



Notable Transactions			
Target	Acquirer	Value	Multiple
Flurry	Yahoo	\$270M	NA
Namo Media	Twitter	\$50M	NA
Jumptap	Millennial Media	\$221M	2.7x
Millennial Media	AOL	\$262M	0.8x
<b>Average</b>		<b>\$200M</b>	<b>1.8x</b>

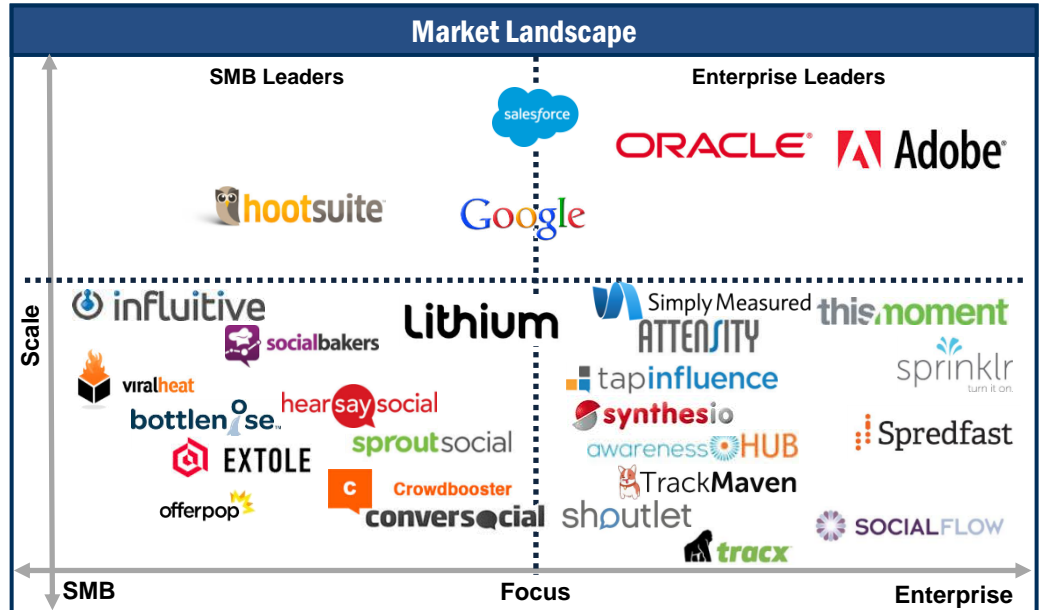
Notable Financings			
Company	Investors	Year	Total
Urban Airship	August Capital	2015	\$21M
Kahuna	Tenaya	2015	\$45M
PlaceIQ	Harmony Partners, USBP	2013	\$15M
Tapjoy	J.P. Morgan	2013	\$30M

Source: 451 Research, PitchBook

# Social Media Marketing

### Our View on the Market

- Becoming an increasingly important function for brands as the use and number of different social media channels continues to increase
- Market still playing out, as competitors vie to be the first true leaders to emerge from a growing pack of startups in the space
- While some of the consolidators have made a move, it still feels early in the space and we believe there will be a few waves of activity as the market matures



Notable Transactions			
Target	Acquirer	Value	Multiple
ArgyleSocial	Viralheat	NA	NA
Klout	Lithium	\$200M	20.0x
Efficient Frontier	Adobe	\$375M	NA
Vitruve	Oracle	\$300M	NA
<b>Average</b>		<b>\$292M</b>	<b>NM</b>

Notable Financings			
Company	Investors	Year	Total
Influitive	Georgian Partners	2015	\$31M
Spredfast	Silver Lake Waterman	2015	\$24M
Thismoment	Sierra Ventures	2014	\$18M
Hootsuite	Fidelity Investments	2014	\$60M
Lithium	Undisclosed	2014	\$87M

Source: 451 Research, PitchBook