# Trading Update for Q3 2019

November 2019

# Contents

# Financial Performance

**Q3 2019 Highlights**

/ Q3 reported Revenue up almost 54% to £56.6 million.

/ Q3 reported Gross Profit up 50% to £42.1 million.

/ Q3 like for like Revenue up 48%

/ Q3 like for like Gross Profit up 44%

/ YTD reported Revenue up over 46% to £144.6 million

/ YTD reported Gross Profit up over 46% to £112.3 million

/ YTD like for like Revenue up over 41%

/ YTD like for like Gross Profit up over 41%

/ EBITDA margins improved significantly in Q3

/ Average net debt in Q3 was £29.6 million.

# Revenue & Gross Profit by Practice Area Q3 19

| | Reported | Prior year* | +/-% | Like-for-like** | +/-% |
|---|---|---|---|---|---|
| | Q3 2019 | Q3 2018 | | Q3 2018 | |
| **Revenue (GBP)** | | | | | |
| Content practice | 41.079 | 27.771 | 47.9% | 28.727 | 43.0% |
| Programmatic practice | 15.553 | 9.086 | 71.2% | 9.539 | 63.1% |
| **Total** | **56.632** | **36.857** | **53.7%** | **38.266** | **48.0%** |
| | | | | | |
| **Gross Profit (GBP)** | | | | | |
| Content practice | 26.614 | 19.018 | 39.9% | 19.682 | 35.2% |
| Programmatic practice | 15.496 | 9.049 | 71.2% | 9.500 | 63.1% |
| **Total** | **42.110** | **28.067** | **50.0%** | **29.182** | **44.3%** |

* including *the respective performance of* mergers and an asset purchase in 2018, consolidated for the same number of months as included in 2019
** as for 'prior year', but on a constant currency basis

# Gross Profit by Geography Q3 19

| | Reported | Prior year* | +/-% | Like-for-like** | +/-% |
|---|---|---|---|---|---|
| | Q3 2019 | Q3 2018 | | Q3 2018 | |
| **Gross Profit (GBP)** | | | | | |
| America's | 28.491 | 18.870 | 51.0% | 19.901 | 43.2% |
| EMEA | 9.654 | 7.649 | 26.2% | 7.698 | 25.4% |
| Asia-Pacific | 3.965 | 1.548 | 156.1% | 1.583 | 150.5% |
| **Total** | **42.110** | **28.067** | **50.0%** | **29.182** | **44.3%** |

\* including *the respective performance of* mergers and an asset purchase in 2018, consolidated for the same number of months as included in 2019
\*\* as for 'prior year', but on a constant currency basis

# Client momentum

Client roster continues to strengthen in technology, as well as fast moving consumer goods (FMCG), telecommunications and pharmaceuticals, both by practice and integration. Highlights include wins at Procter & Gamble, Nestlé, Coca-Cola, Sprint and Bayer, with expansion at Google, HP, Netflix, Uber and at Merck and Mondelez amongst others. Recent account wins show increase in demand for the newly added expertise (results of mergers with IMA, BizTech, Progmedia and Caramel Pictures).

**Content Practice**

- APAC accelerating fast: following the recent SEA win of the Fanta account (first work to be released in Q1 2020) MediaMonks has won a key tech brand account for the region (news will be announced in due course)

- Steady and fast growth across global accounts: HP, Google, Heineken, P&G, Mondelez

- New expertise for lasting business relationships and increased scope: newly added expertise shows growth across key accounts. MediaMonks and IMA collaborate on campaigns for HP, J&J (newly signed), Amazon in the EU amongst other clients. MediaMonks and Firewood are are already in talks with key tech brands in Silicon Valley.

**Programmatic Practice**

- Wins: AB Inbev Brazil, ASICS, Vodafone NZ, SoFi - Social Finance, (NDA) S&P 500 global healthcare company, S&P 500 household & personal care company, global employment brand

- Growing fast: Sony Pictures, Electrolux, Nationwide

# People

**Content Practice: strengthening content and creative teams across the board focusing on diversity and inclusion**

⁄ Vivian Opsteeg, General Manager Film & Content. Founder Girls in Film and former Digital Director VIACOM.

⁄ Jordi van de Bovenkamp, Creative Director MediaMonks. Former Boomerang CD, thought leader.

⁄ Nimo Awil, Associate Creative Director, Former Creative at Poke London.

⁄ Joanna Mal, Transcreation Lead MediaMonks. Former Smoke and Mirrors transcreation lead.

⁄ Lanya & Juan Zambrano, CEO's and Founders, Firewood.

**Programmatic Practice: strengthening media, data and analytics across the board focusing on diversity and inclusion**

⁄ Simon Harris, Head of Sales, EMEA Former Head of Programmatic Activation for Dentsu Aegis Network

⁄ Rashaad Jamal, VP of Accounts, AMER Former Engagement Manager McKinsey & Company, Instructor Pilot in the United States Marine Corps

⁄ Russell Sutton, CEO and founder, ConversionWorks

⁄ Sun Young Kim, Founder and former country manager, Datalicious Korea

# Expanding global presence



**1,950+** people

**26** countries

Content

New offices

Programmatic

New offices

# Expanding global presence

## Content

⁄ **Total Headcount**: 1525

⁄ **Additional offices:**

  ⁄ Toronto

  ⁄ Astana

  ⁄ Sydney

  ⁄ Moscow

  ⁄ Dublin (Firewood)

  ⁄ Mountain View (Silicon Valley) (Firewood)

  ⁄ Sandpoint (Firewood)

  ⁄ NewYork (Firewood)

  ⁄ San Francisco (Firewood)

  ⁄ Mexico City (Firewood)

  ⁄ London (Firewood)

## Programmatic

⁄ **Total Headcount:** 425

⁄ **Additional offices:**

  ⁄ Seoul

  ⁄ Paris

  ⁄ Milan

  ⁄ Jakarta

  ⁄ Melbourne

  ⁄ Mumbai

  ⁄ Chicago

  ⁄ Hong Kong

⁄ **New offices but legal entity not yet created**

  ⁄ Bangkok

  ⁄ Shanghai

# Mergers

Merger with IMA, a social influencer content agency with 85 people, completed in August 19. Significant new business activity since completion, opening in Los Angeles.

Merger with Firewood, a digital content agency with 325 people, completed in October 19.

Merger with ConversionWorks, a data & analytics agency with 28 people, completed in October 19.

Merger with former Datalicious Korea, a data & analytics agency with 25 people, completed in October 19.

Merger with Biztech, an Adobe specialist agency with 70 people, due to complete in November.

# Integration

**Shared new business:**

/ 9 active joint engagements in pharmaceuticals, beauty and retail

/ 13 active joint pitches and client inbounds in entertainment, food & beverage and technology

/ 5 global RFP's in creative and media in FMCG, Media, Auto and Pharma

**Office Integration**

/ Amsterdam office – Film and content studios consolidated under one leadership

/ London office – actively examining co-location

/ New York office – actively examining co-location

/ San Francisco – actively examining co-location

/ LA office – IMA and MediaMonks teams collocating in November

/ Marketing and communications teams of MightyHive, MediaMonks (IMA, Firewood, BizTech) sharing tools and working in sync on shared KPIs

# Summary and outlook

/ Continued very strong top line momentum

/ Improvement in EBITDA margin

/ Key account developments in both technology and established clients

/ GBP100m equity raise completed at a premium in October

/ Mergers of IMA (Q3) Firewood, ConversionWorks, former Datalicious Korea (Oct) completed

/ Biztech merger to complete in November

/ Merger pipeline remains robust

/ Increased involvement in substantial industry pitches

/ Full year in line with expectations

# Technological and geographic trends

/ The global advertising and marketing industry was worth $1.7tn in 2018 (including $400bn trade budgets – Redburn).

/ Global internet users = 3.6bn people, or over 50% of the population, in 2018 (Kleiner Perkins).

/ Digital media use 5.9 hours per day (Kleiner Perkins).

/ Half of all advertising spend will be on digital media ad formats by 2019/2020, compared to 46% in 2018 (Magna).

/ The market for internet advertising is expanding at over 20% year-on-year (Kleiner Perkins), compared to 3-4% for the overall advertising market (company estimate).

/ Programmatic advertising spend is forecast by the Group to reach $84bn in 2019 growing at approximately 20 per cent year-on-year to reach $98bn in 2020 (company estimate).
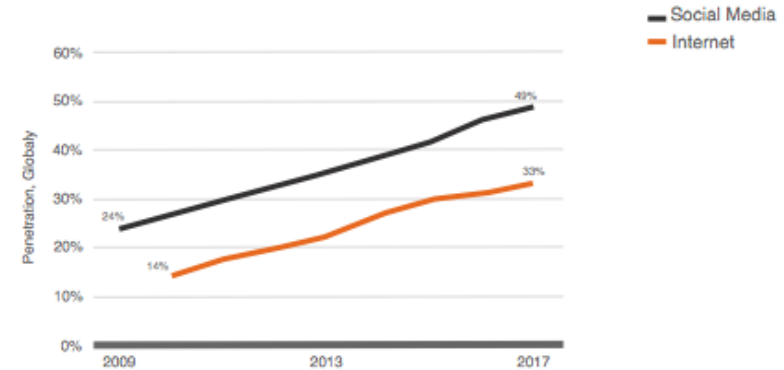
# Technological and geographic trends



Digital continues to grow significant advertising "market share"
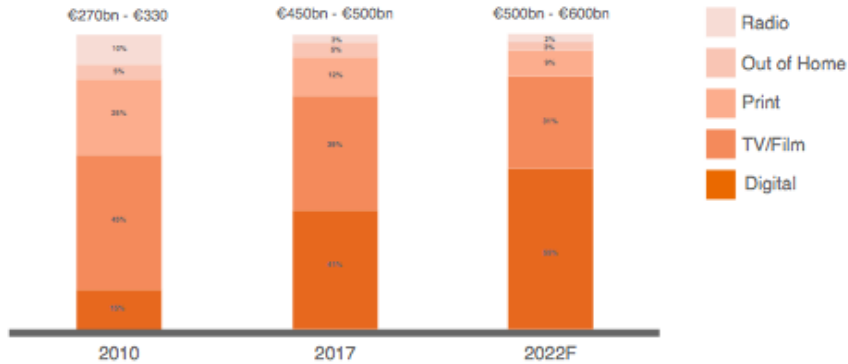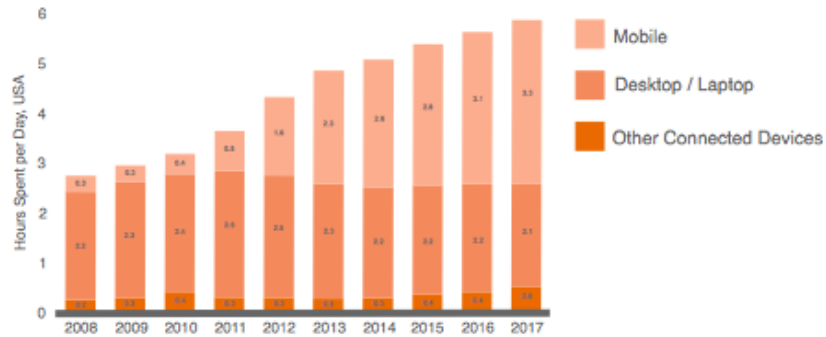
Source: Company estimates



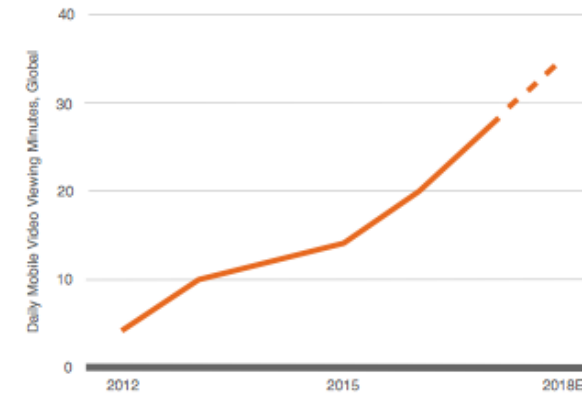Internet and social media global penetration doubles in eight years

Source: Kleiner Perkins



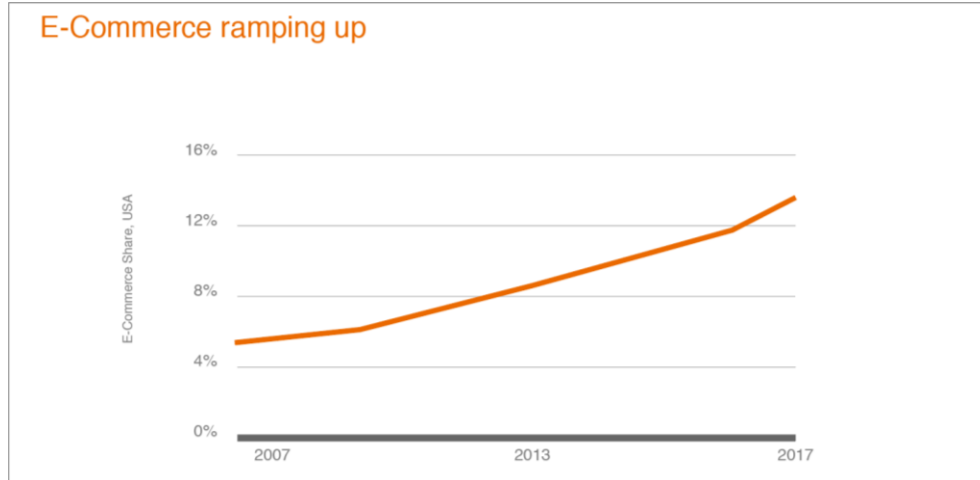Digital time spent doubles in eight years

Source: Kleiner Perkins
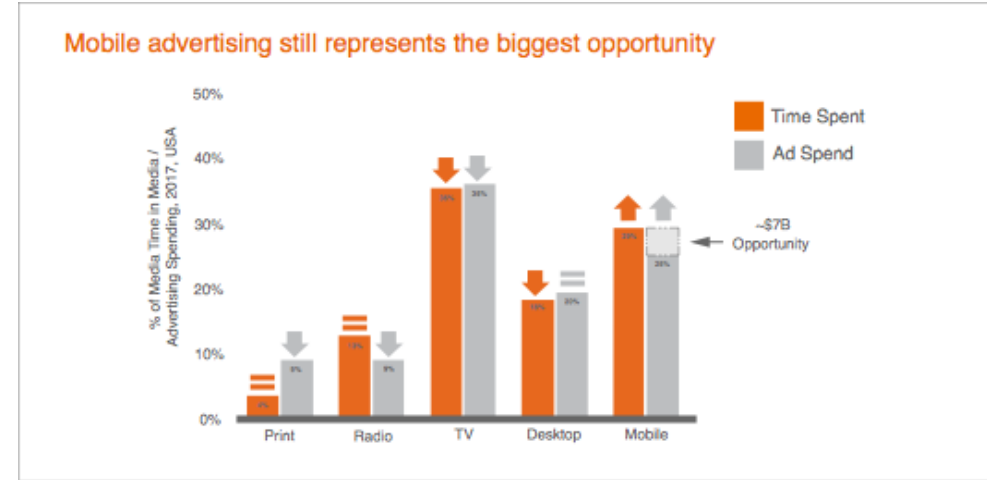


Mobile video viewing exhibits very strong growth

Source: Kleiner Perkins

# Technological and geographic trends



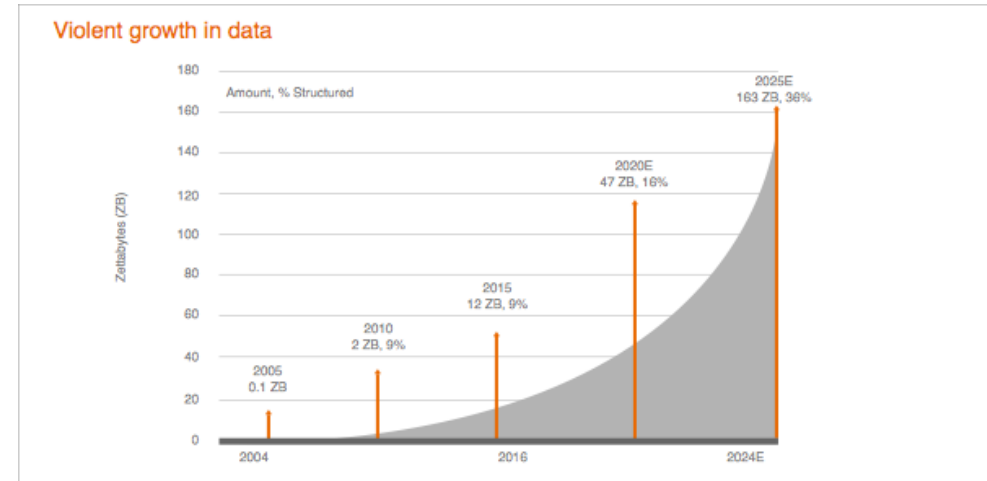E-Commerce ramping up

Source: Kleiner Perkins



Mobile advertising still represents the biggest opportunity

Source: Kleiner Perkins



Internet advertising spend up strongly

Source: Kleiner Perkins



Violent growth in data

Source: Kleiner Perkins

# Technological and geographic trends



USA, China and India are the opportunity

Source: Kleiner Perkins



Facebook and Google the leading platforms, except in China
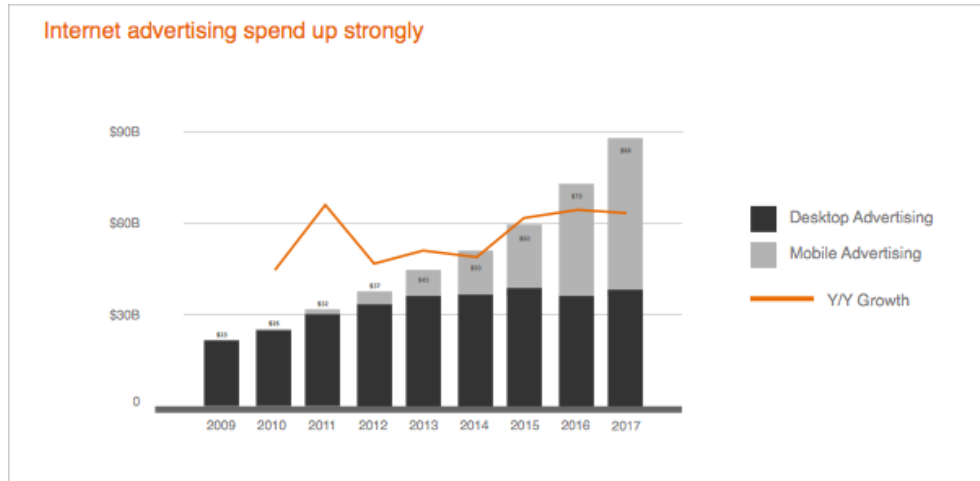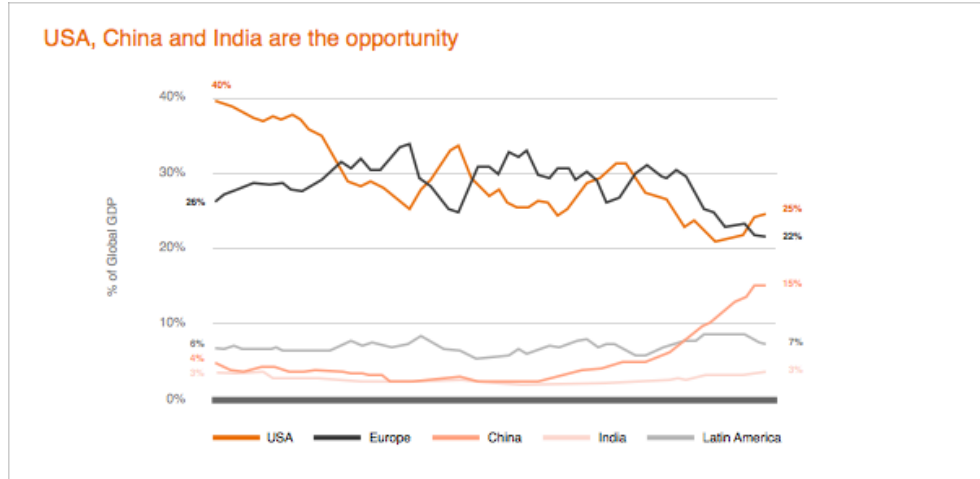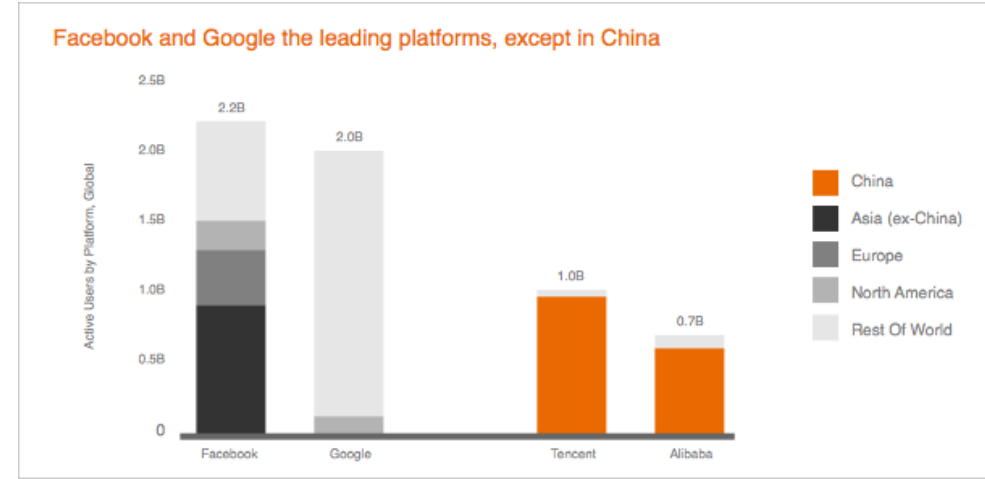
Source: Kleiner Perkins



Google and Facebook dominate internet advertising revenue, but Amazon is the Third Force

| 2018 revenue run rate | |
|---|---|
| Google | $115bn |
| Facebook | $54bn |
| Amazon | $10bn |
| Microsoft | $8.6bn |
| Oath | $7.2bn |
| Twitter | $2.6bn |
| Snap | $1.5bn |
| Other | $62bn |
| Total | $226bn |

Source: Polar State of Digital Media, Q1 2019



Pure digital domination of marketing spend and activity 2018 - 2021

Fg 191: Change in marketing expenditure by activity, 2018-21

Source: Redburn

# Industry dynamics

First party data

Digital creative

Programmatic

In-housing

Consultancy

**Seven**

**Sisters**

Post-Lehman slower GDP growth

Walled gardens 'growing'

'Take Back Control'

Traditional creative

Zero-based budgeting

Custom research
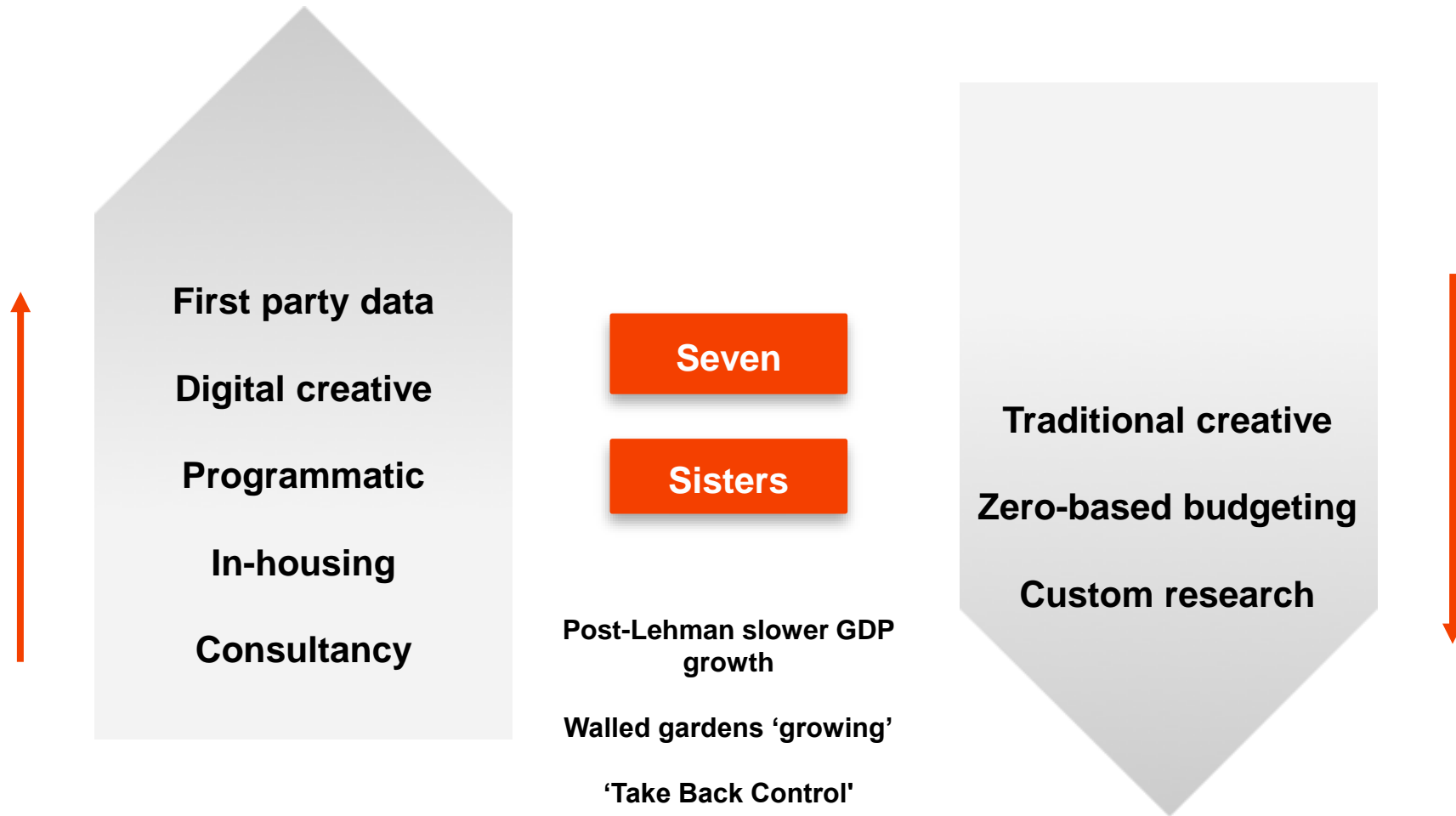
# Our four core principles



We are
purely
digital

Holy Trinity of:
First-party data
Digital content
Programmatic

Faster
Better
Cheaper

With a
unitary
structure

# Strategy and structure

### 1.Analyse

**First-party data**

Assist in the sourcing, analysis and delivery of aggregated and high quality relevant datasets.
Fuel marketing budget ROIs by filtering noise through proprietary tools and frameworks.
Focus on data analytics to fuel creative content and digital media planning.

### 2.Create & develop

**Digital content**

Design and develop digital creative content and internal digital media channels.
Create best-of-breed UX and digital design, for specific, dynamic and data-driven content.
Emphasise further geographic and functional development of MediaMonks.

### 3.Plan & deliver

**Programmatic**

Provide a backbone for clients to efficiently plan and deliver audience-focused campaigns.
Deliver via location-based micro-targeted mobile ads to omni-channel campaigns.
Analytical capabilities in campaign auditing and cost-analysis further enhance offering.

**Utilise clients' and platform data and grow by business combinations**

MEDIA MONKS

MIGHTYHIVE