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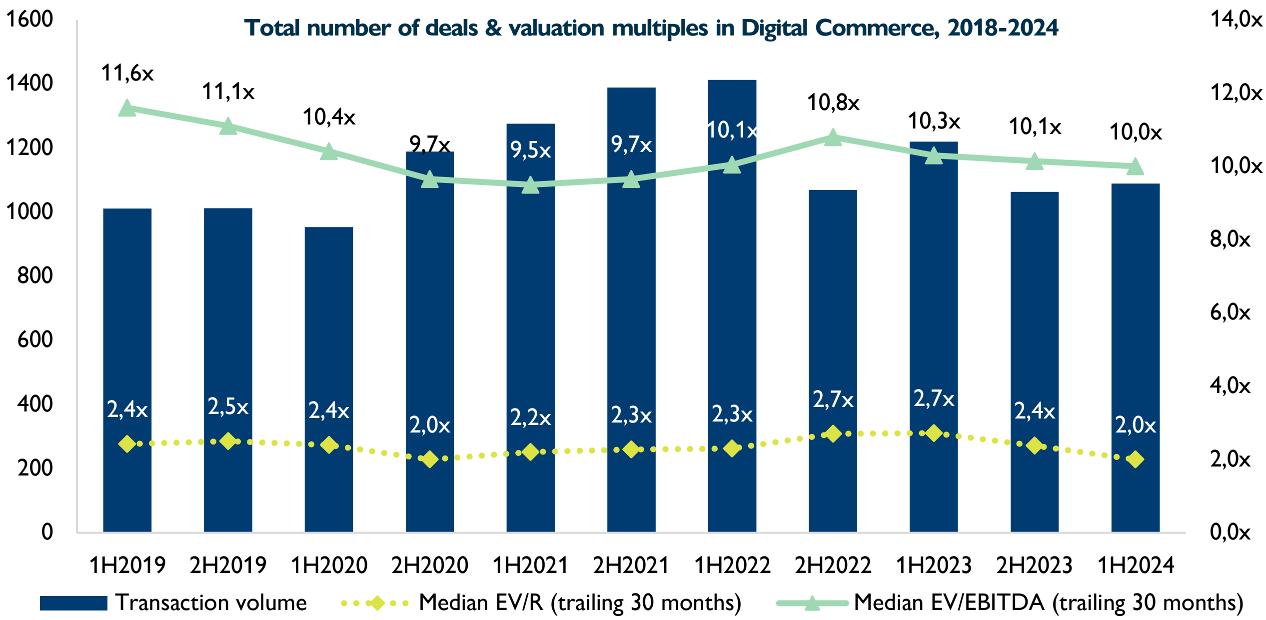
M&A market report 2H 2024

Digital Commerce

M&A summary

Mid 2024: The perfect data ambiguity

After a marked decline in deal volume in 2H2023, our latest data reveals a slight uptick in activity amid ripening market conditions and the re-opening of the IPO window. However, macroeconomic headwinds continue to have an impact, with revenue multiples remaining on their downward trajectory and EBITDA multiples staying level. With costs rising and profitability falling, the latter has become the metric that counts, with buyers prioritizing stable EBITs over revenues as inflationary pressures, supply chain challenges, increased competition and geopolitical turbulence instil caution. At the same time, the sector is being energized by key drivers such as AI and the sweeping customer engagement possibilities provided by Amazon's advertising services. Amazon DSP, which provides full-funnel exposure on sites like Twitch and IMDb, and Amazon Marketing Cloud, which allows clients to efficiently perform analytics of their campaigns, are fundamentally altering how companies within the sector operate and grow.



Source: 451 Database, S&P CapitalIQ, Hampleton Research.

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AI changing the game for e-commerce players

The seismic implications of generative AI on Digital Commerce are becoming apparent, with major players leveraging AI solutions to improve inventory management, plan campaigns, streamline supply chain processes and engage with customers. Prominent examples include Lazada Group's launch of LazzieChat, the first OpenAI-powered chatbot for Digital Commerce in Southeast Asia, and Amazon's rollout of of AI-generated product images and review summaries, and the AI-powered shopping assistant Rufus.

Indeed, Amazon has planted its flag in the AI-sphere by opening the Amazon Web Services Generative AI Innovation Center, with AWS investing $100 million in developing new AI-focused products and services. Meanwhile, a wider ecosystem of startups is flourishing, with firms like Kua.ai and Copy.ai providing tools for sellers to create SEO sales content suited to platforms such as Instagram, TikTok and Amazon. This ecosystem is set to massively expand, with data by Market.US indicating the AI in e-commerce market will exceed $50 billion by 2033.

Top acquirers of Digital Commerce targets, 2021-2024

Acquirers	Acquisitions in 30 months	Three notable Digital Commerce acquisitions
PLAYMAKER	6	**Ledger Bennett** – B2B Marketing Agency **EPROFESSIONAL** – Digital Marketing & Advertising Agency **PivotRoots Digital** – Digital Marketing & Advertising Agency
FRASERS GROUP	6	**Wiggle** – Online Sporting Goods Retail **Matchesfashion** – Online Accessory Retail **boohoo group** – Online Apparel and Accessory Retail
THOMABRAVO	6	**NextGen Healthcare** – EMR & practice management SaaS **LOGEX International Healthcare Analytics** – European healthcare data analytics SaaS **Magnet Forensics** - Digital investigation SaaS
KREAM	5	**SODA** – Online Shoe Retail **Sasom Company** – Online Apparel and Accessory Retail **Shake Hands** – Online Specialty Retail
Outdoorsmen	5	**HuntPost.com** – Interactive Media and Services **RaceScene.com** – Interactive Media and Services **MorBoats.com** – Interactive Media and Services
SoPa The Society Pass	5	**Mangan.PH** - Online food delivery services **AdActive Media** - Digital video MPN & social commerce SaaS **Gorilla Networks** - Mobile virtual network operator
VALNET	5	**Hardcore Gamer** - Online games journalism website **Pocket-lint** - IT gadgets news & reviews website **DualShockers** - Digital gaming community website
ebay	4	**Goldin Auctions** – Online collectibles Auction Marketplace **myFitment** – e-commerce Catalog Management SaaS **Knownorigin** – Online NFT Marketplace

Source: 451 Database, S&P CapitalIQ, Hampleton Research.

Top trends & largest transactions

- **Connecting with Gen Z through savvy leveraging of social media** is allowing some brands to thrive in the face of macro volatility in the Digital Commerce sector. Examples include Kim Kardashian's multi-billion-dollar SKIMS shapewear brand, which originally launched online, and the sportswear brand Alo Yoga, which enjoys cult-like popularity.
- **Rapid development within social commerce makes forecasting a challenge** – see the fact that TikTok has launched a partnership with Amazon to allow in-app shopping, but has also paused its much-hyped plans to bring TikTok Shop to the European market, due to concerns over regulatory scrutiny.
- **Amazon's influence on the sector is going well beyond providing a marketplace for vendors**, with AMC, DSP, Prime Video Ads and many other "tools" fundamentally altering how businesses roll out their customer engagement campaigns.
- **The market for Amazon aggregators, which buy and consolidate e-commerce vendors, continues to flatline** as the pandemic-era boom retreats further into the distance. Funding rounds have diminished, while prominent player Thrasio has radically restructured and appointed a new CEO after emerging from bankruptcy.
- **B2B commerce is following B2C's lead in leveraging influencers,** with an Ogilvy survey revealing that the use of B2B influencers is reaching a "tipping point". This is increasingly important in an era where, as per data by the Harvard Business Review, 75% of the workforce will be digital natives by 2025.

LARGEST DISCLOSED NON-SPAC DEALS OF 1H2024

$35 billion 19 Feb	**Capital One**, a financial services firm, acquires **Discover Financial Services, Inc.**, Credit card & electronic payments services, at 3.5x EV/revenue
$6 billion 13 May	**Permira Holdings Limited**, a private equity investment firm, acquires **Squarespace Inc.**, Website design & development software, at 6.5x EV/revenue and 56.2x EV/EBITDA
$4.7 billion 1 Apr	**Advent International Corporatio , Caisse de depot et placement du Qubec and Novacap Investments Inc.**, private equity firms, acquire **Nuvei Corporation**, Transaction processing services & SaaS, at 5.3x EV/revenue and 24.9 EV/EBITDA
$3.1 billion 28 Jun	**Cinven Limited**, a private equity investment firm, acquires **idealista SAU**, Real estate classified websites
$3.0 billion 23 May	**HgCapital LLP**, a private equity investment firm, acquires **AuditBoard Inc**, Audit, risk, compliance & ESG management software

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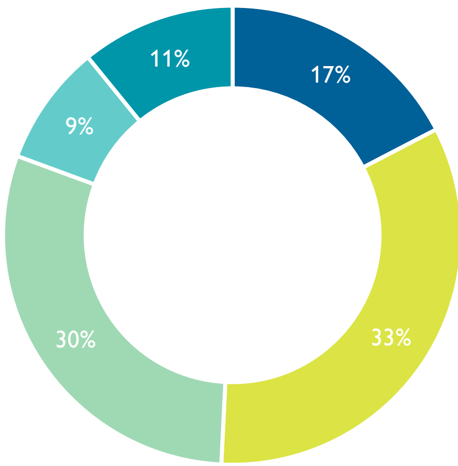
Data breakdown – *geography and subsector, past 30 months*

Digital Commerce Subsectors



Agencies & Services Providers
Mobile & web marketing, e-mail marketing and measurement, campaign management services, web design & development.

Internet Services & Portals
Digital commerce services, analysis & reference providers, online advertising, directories, search, exchanges, education.

Digital Commerce Software
Digital marketing and e-commerce software, CRM, advertising enablement, marketing automation.

Media, Social & Gaming
Social networking, online games, e-sports, entertainment, online communities, video, blogs, music, news content.

Online Retail
E-commerce retailers, online marketplaces, classifieds, auctions.

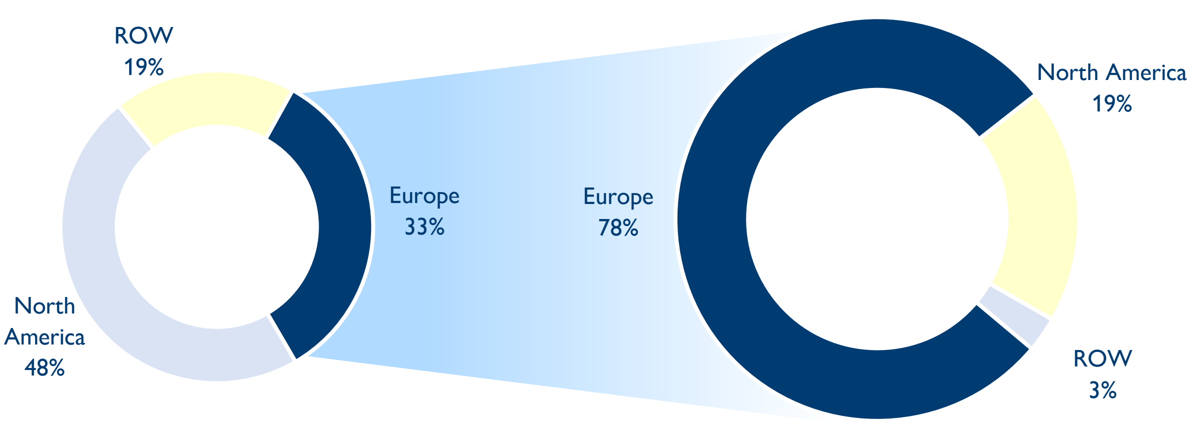
As the Digital Commerce sector matures, legacy retailers are more than holding their own against DNVBs, or digitally-native vertical brands. By reallocating capital to the online space and utilizing an ever-increasing ecosystem of highly specialised solutions providers and agencies, traditional brands are performing well against digitally-native rivals, contributing to a hyper-competitive e-commerce landscape.

When it comes to patterns of M&A activity within the sector, the general distribution of deals has remained consistent with our previous analyses. Companies in the Internet Services & Portals continue to account for the highest proportion of deals. The Digital Commerce Software and Agencies & Services Providers subsectors also remain in second and third place respectively.

LAST 30 MONTHS

Headquarters of Digital Commerce targets

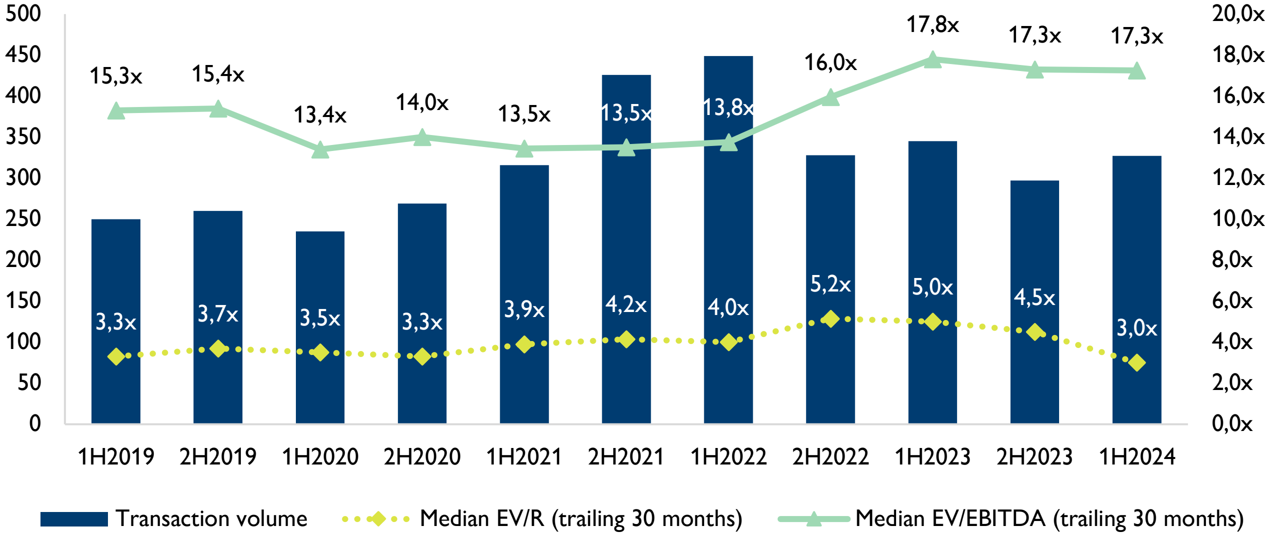
Headquarters of acquirers of European targets



Digital Commerce Software

Deal activity on the up as e-commerce players seek innovative solutions

While recent deal volumes have consistently remained a far cry from the record-breaking highs seen during the pandemic, the first half of this year saw activity inch upwards. This corresponds with surging demand for next-gen solutions such as generative AI tools for scaled content creation, intuitive chatbots for efficient customer engagement, and digital experience platforms which allow e-commerce businesses to monitor diverse arrays of digital workflows including SEO, content marketing and customer relationship management, through one centralized interface.



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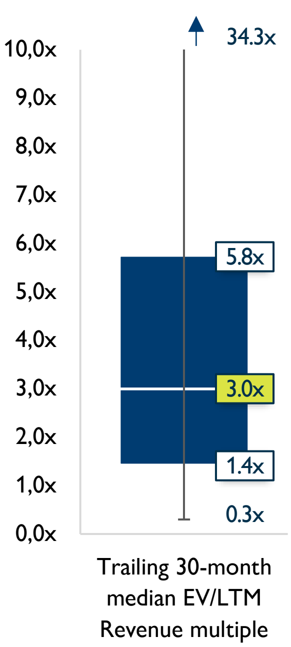

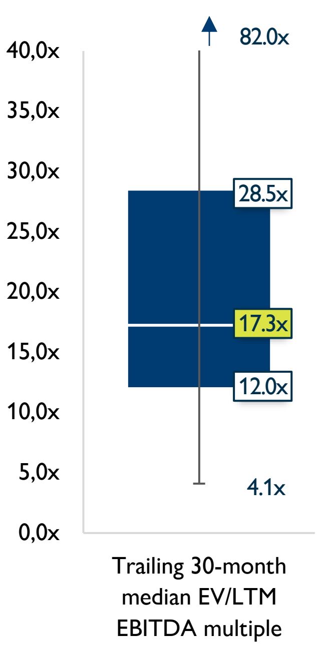

In 1H2024, the trailing 30-month median revenue multiple dipped from 4.5x to 3.0x, while the trailing 30-month median EBITDA multiple stayed level at 17.3x.

The stark decline in revenue multiples may be attributed to ongoing macroeconomic pressures and the resulting shift in focus from growth to profitability, which has led to a more conservative valuation approach.

In the context of trailing 30-month revenue multiples, half of all deals were in the 1.4x to 5.8x range, with a minimum of 0.3x and a maximum of 34.3x. Turning to the trailing 30-month EBITDA multiples, half of all deals ranged between 12.0x and 28.5x. The minimum EBITDA multiple paid out was 4.1x and the maximum was 82.0x.

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Semrush extends capabilities of its platform with Ryte acquisition

In July, Semrush – a leading developer of SaaS solutions for running social media, content marketing and SEO campaigns – acquired Ryte in what was a major deal in the e-commerce website optimisation space. Munich-based Ryte was a natural strategic target for Semrush, as it too specialises in tools for optimising how businesses engage with clients and customers online.

Its platform focuses on monitoring what it describes as the "six optimisation pillars", namely SEO, web performance, quality assurance, sustainability, accessibility and regulatory compliance.

These capabilities, together with its advanced website crawling technology, will bolster Semrush's newly announced Enterprise SEO platform, which is intended to integrate workflows across different teams. For its part, Ryte hopes the acquisition will open up new sales opportunities within Semrush's sprawling customer base and allow it to achieve more global visibility than it might have as a standalone company.

SEMRUSH
July 2024
ACQUIRED
Ryte

Big funding round and even bigger acquisition for Infinite Reality

July also saw significant news on two fronts for Infinite Reality, creators of photorealistic virtual environments for immersive audience experiences. As well as securing a mammoth $350 million investment, elevating its valuation to $5.1 billion, the company announced its $450 million acquisition of Landvault.

London-based Landvault specializes in developing digital twins and virtual 3D spaces which private companies and government bodies can deploy in a range of use cases, from marketing within the metaverse to showcasing real estate to planning urban development.

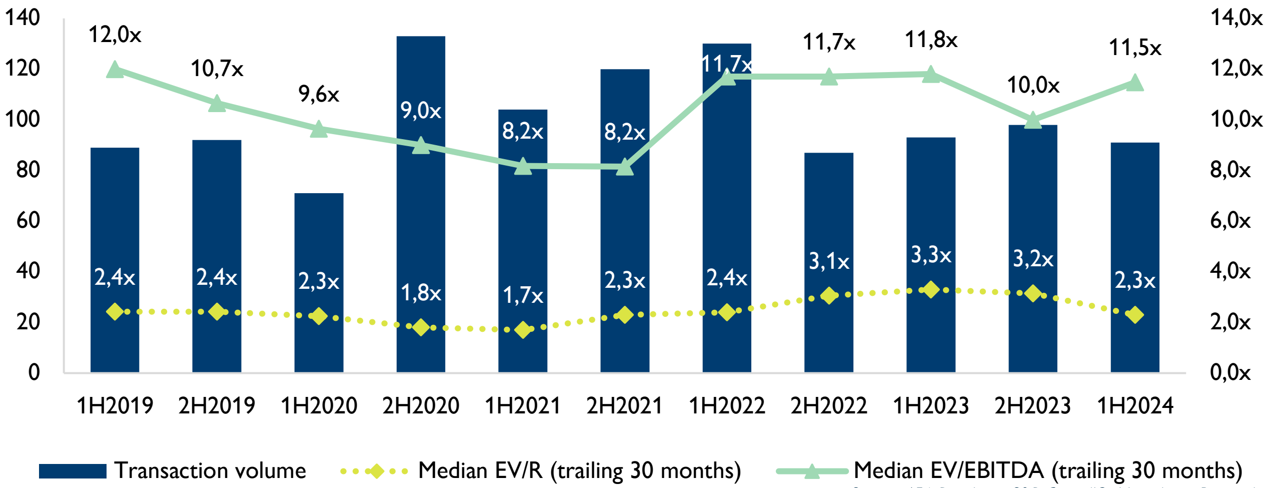
The deal, which boosts Infinite Reality's spatial computing capabilities and gives it access to Landvault's wide client base, is part of a larger spending spree which has seen Infinite Reality aggressively acquire other firms at the forefront of immersive web technologies, including Ethereal Engine and Action Face.

INFINITE REALITY
July 2024
ACQUIRED
$450 million
Landvault

Media, Social & Gaming

Combination of factors suppress revenue multiples

1H2024 saw a sharp decline in revenue multiples in the Media, Social & Gaming subsector. However, it's noteworthy that 2H2023's 3.2x median figure encompasses some deals stemming back to 2021, a phase of strong post-pandemic market recovery and optimism which pushed revenue multiples up. The market has subsequently normalized with more realistic growth expectations, leading to a decrease in valuations. This process is reflected in 1H2024's lower median multiple of 2.3x. Other factors reducing appetite for higher multiples include increased competition and regulatory scrutiny, and shifts in investment allocation to other sectors.



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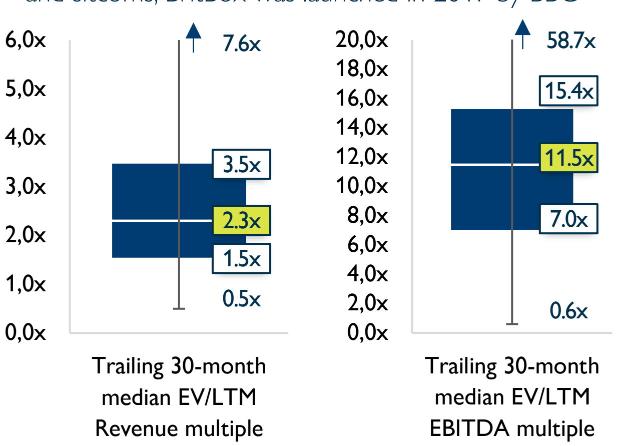
BBC Studios becomes sole owner of streaming platform BritBox

In March, BBC Studios, the BBC's commercial content studio arm, announced it would be taking full ownership of the streaming service BritBox.

Focusing on British programming including classic dramas and sitcoms, BritBox was launched in 2017 by BBC Studios and ITV, and has seen 300% subscriber growth across the globe over the past four years.

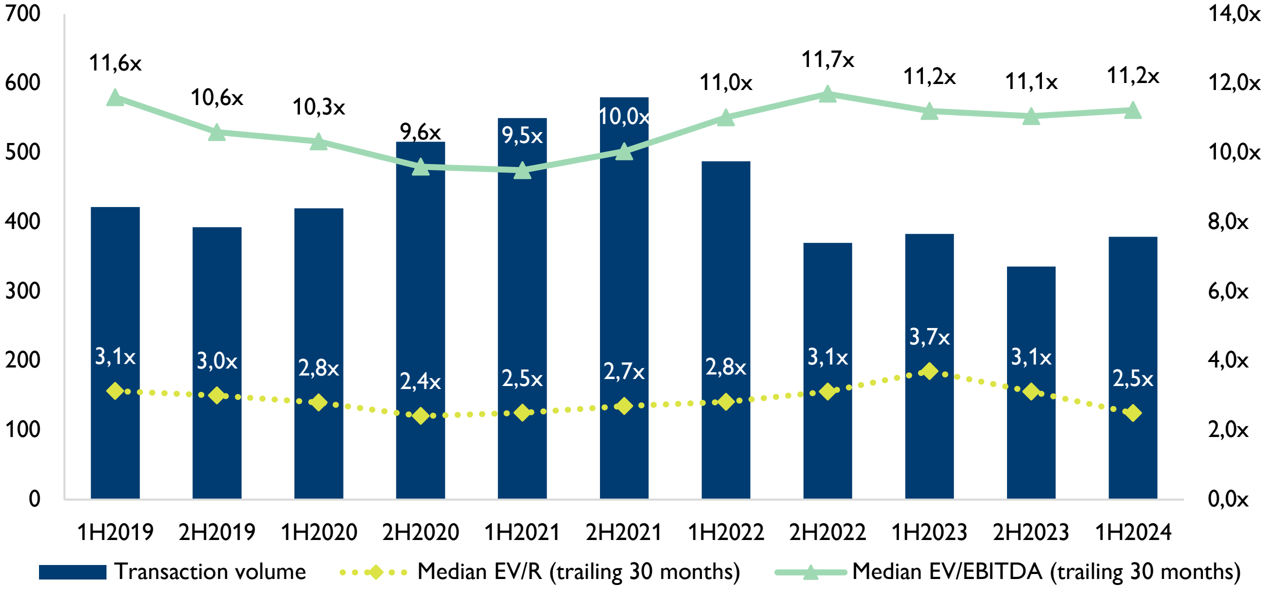
As part of its plan to "double the size" of its overall business, BBC Studios has now paid £255 million for ITV's 50% share. The takeover has seen BritBox becoming a part of the company's Global Media and Streaming Division, alongside the likes of documentary streaming platform BBC Select and BBC Podcast Premium.

Licensing agreements with ITV have also been extended to ensure BritBox continues to showcase a wide range of UK programmes to its global audience.



Renewed dealmaking amid regulatory relaxation

Deal activity involving Internet Services & Portals firms has risen again following a lull in 2H2023. Key drivers within the subsector include a global rise in mobile search, aggressive expansion of doorstep delivery services in various territories, and renewed M&A activity involving telecoms and connectivity companies. Such firms are also drawing interest due to businesses' significant capital expenditures on infrastructure upgrades. But, as with other subsectors, revenue multiples have dropped while EBITDA multiples remain robust, reflecting an emphasis on profitability rather than growth amid sustained macroeconomic pressures.



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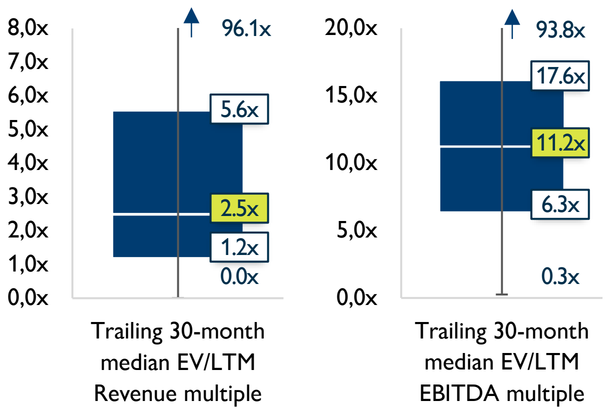
Uber Eats expands Asian footprint with takeover of Foodpanda's Taiwan operations

In May, Uber Eats announced its blockbuster $950 million takeover of Foodpanda's operations in Taiwan.

Foodpanda, which is owned by Berlin-based Delivery Hero, had maintained a slightly larger market share in the country, and was the preferred option for consumers in southern regions and smaller towns.



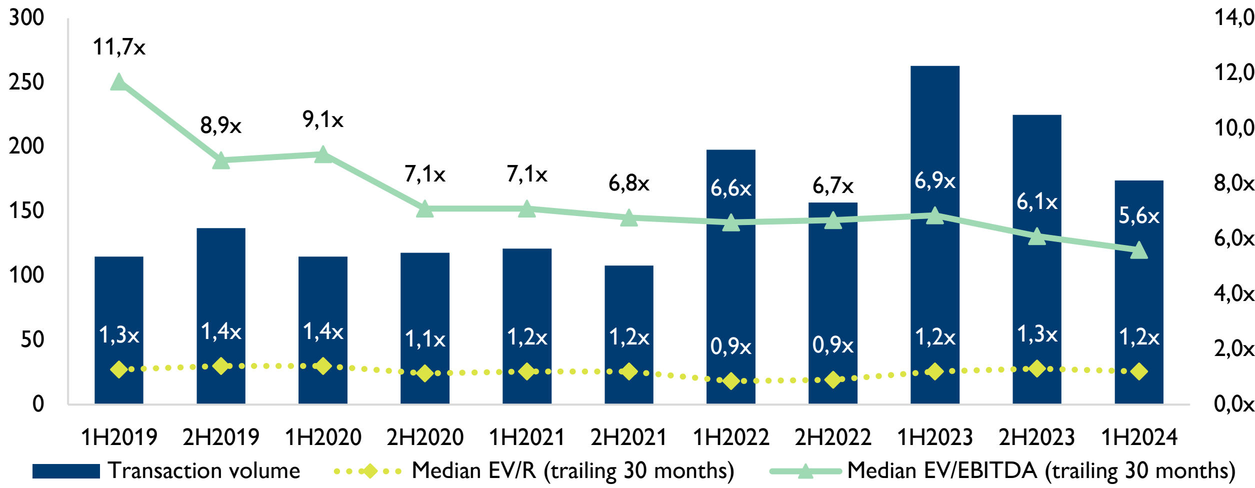
By contrast, Uber Eats had hitherto been more popular in the north and in larger urban areas, although it is now set to be the dominant food delivery presence across the whole of Taiwan thanks to one of the country's biggest ever deals outside the semiconductors space.

The near-billion-dollar move marks a major milestone in Uber's efforts to grow its presence in the Asian market.

Uber Eats
May 2024
ACQUIRED
$950 million
foodpanda
From
Delivery Hero

Profitability undercut by digital spend

While the recent drop in Agencies & Services Providers M&A activity can be linked to the much-discussed macroeconomic challenges affecting the tech industry as a whole, there's also the longer term decline in median EBITDA multiples. These have been tracking downwards since long before the disruptive effects of the pandemic. A key reason for suppressed profits has been a steep rise in running costs due to the rapid digital transformation required to keep up with both C-suite and client expectations. The imperative to incorporate game-changing technologies like AI solutions, and deliver new capabilities in a condensed time frame, has led to lower profits in the (relatively) short-term.



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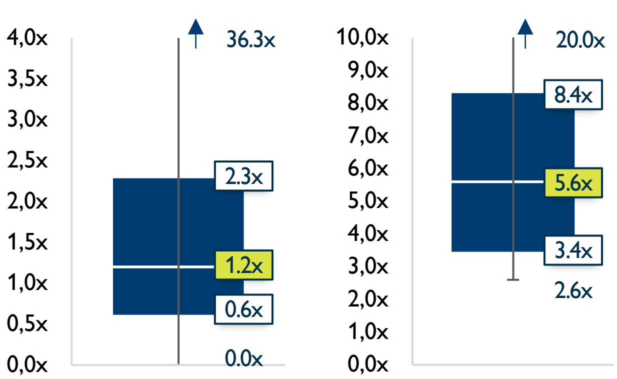
Conclusion Group expands its ecosystem with integration of diva-e

In June, Conclusion Group, a provider of IT and digital transformation services comprising over 30 companies, boosted its already sprawling ecosystem with a landmark new acquisition: Munich-based diva-e.



Trailing 30-month median EV/LTM Revenue multiple

Trailing 30-month median EV/LTM EBITDA multiple

Offering a host of digital services, from e-commerce portals implementation to marketing campaign management, diva-e provides Conclusion with a way into the strategically significant German market. This complements Conclusion's strong presence in the Netherlands, Portugal, Spain and South Africa, and propels it further toward its goal of being a "strategic European partner for enterprises, local heroes and public institutions across borders."

Meanwhile, diva-e has described the deal as marking a "new chapter in our growth story" by allowing it to leverage Conclusion's nearshore capabilities.

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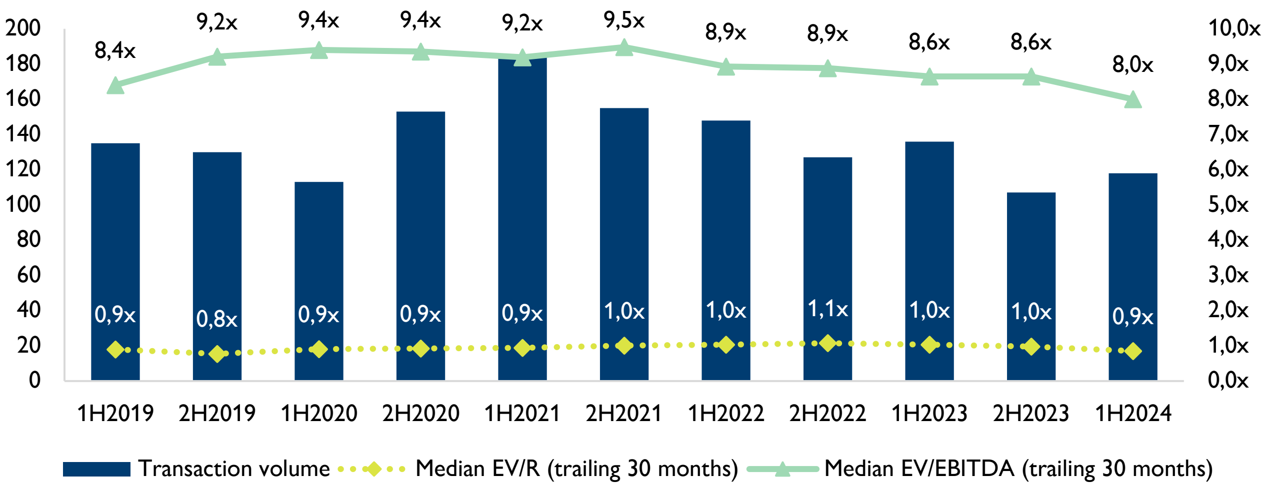
Major ups and downs for the online retail space

While deal activity has crept up in 1H2024, the Online Retail subsector continues to be negatively impacted by macro volatility, intense competition, prominent bankruptcies and distressed sell-offs, with some of the biggest bombshells being the insolvencies of the German retail groups Signa Sports and Weltbild. On the flip side, many major players such as Temu and Shein are charging ahead by leveraging social media and AI technologies, while the subsector has also been energized by strategically valuable deals such as the acquisition of outdoor gear and clothing company Bergfreunde by the sporting goods giant DECATHLON.



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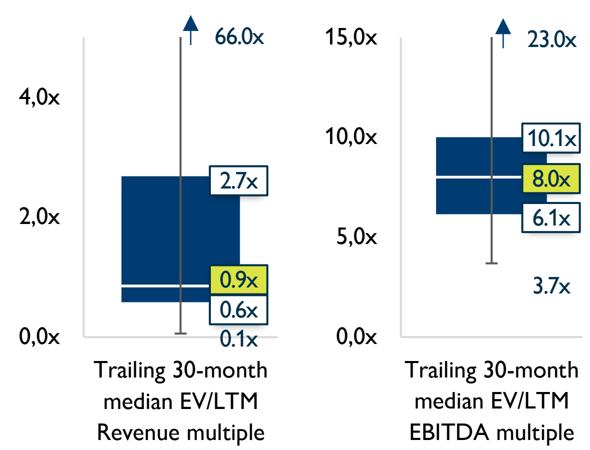
Qoo10 snaps up Wish for a bargain price

In April, e-commerce company Qoo10 Pte acquired the assets of San Francisco-based ContextLogic, principally comprising the discount shopping platform Wish, for the knock-down price of $173 million.

Specializing in super-cheap goods imported from China, Wish enjoyed precipitous growth in the 2010s and was valued at $14 billion in 2020. However, recent years have seen a steep decline in its fortunes.

This has been due to multiple factors including negative media coverage of low quality products, unreliable shipping and poor customer service, post-pandemic shifts in shopping habits, and white-hot competition from the likes of Temu and Shein.

ContextLogic's CEO hailed the acquisition as signalling a fresh start for the beleaguered platform, saying that "the new Wish platform will have an improved customer experience through increased product assortment and merchant selection" thanks to its integration with Qoo10's e-commerce platform.



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Conclusion & Contacts

While overall transaction volume has only slightly risen in 1H2024, the Digital Commerce sector is continuing to show clear signs of renewal following the bursting of the pandemic-era bubble. Widespread take-up of innovations such as generative AI, cloud-based analytics and programmatic marketing suites like Amazon's toolbox is allowing both legacy companies and digitally-native firms to effectively adapt to today's consumer landscape, and we anticipate the revitalised activity will drive M&A within the wider ecosystem.

That said, there are some key uncertainty factors which are likely to present a countervailing force on deal activity. These include geopolitical conflicts which will not be resolved in the short term, and pressures relating to inflation and the cost of living (with macroeconomic forecasts varying between financial institutions). It also remains to be seen how the US presidential election may affect markets.

It should be noted that, whatever headwinds persist, investor caution must eventually give way to action in the hyper-competitive e-commerce space. Strategic buyers need to place their bets before competitors buy up scarce capabilities, while financial buyers are under pressure to liquidate existing investments and deploy new capital.

In the medium term, as macroeconomic developments become clearer, we therefore expect deal activity to pick up significantly to compensate for pent-up M&A demand. One area where we expect to see fewer deals for longer, however, is in assets of significant national interest, particularly with Chinese buyers, due to growing concerns about security and independence.

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E-Commerce	*Digital Commerce*	*Digital Marketing*	*Digital Commerce*	*Digital Commerce*	*Digital Commerce*
shopware	LOOP54	THP	QUEUE·IT	pixi	Tradebyte
Growth funding	*Sold to*	*Sold to*	*Sold to*	*Sold to*	*Sold to*
CARLYLE, PayPal	FACT-Finder, GENUI	wlt	GROCAPITAL	DESCARTES	zalando

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