

What's Next in Marketing Tech Investing?

China's moment passed, but new investors are cropping up

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Ross Benes



An interview with:
Elgin Thompson

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Over the past few years, marketing tech entrepreneurs have leaned on trendy acquirers like **China-based private equity firms** and **giant cloud companies** when selling their businesses. Elgin Thompson, managing director of investment bank Digital Capital Advisors, spoke with eMarketer's Ross Benes about where martech vendors may find their future exits.

eMarketer:

A few tech vendors made huge deals with Chinese investors in recent years. Are marketing tech execs still looking to China to sell their business?

Elgin Thompson:

China was a moment in time, but that moment has unequivocally passed. In China, there's been a concern about Chinese dollars flowing elsewhere outside of the country. There's rumblings of their governmental body saying: "If you're going to make an acquisition here in China of a domestic asset, we're all for it. But if you're going to start floating dollars to the US, we're going to make that a little more difficult."

On top of that, with the [Trump] administration here doing trade wars, it's just shut the door. So China is probably not a great option if you're in martech.

eMarketer:

What about cloud companies? Are the likes of Salesforce, Adobe and Oracle still major purchasers of marketing tech firms?

Elgin Thompson:

They still are acquirers of assets in digital marketing. But if you're [selling your company], you'd better find the sliver of gap within their existing tech stacks. Because they've made so many acquisitions, what else do they need?

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They still have needs, but there’s just so much fragmentation in there. It’s difficult if you’re betting your company’s future on one of those [cloud firms] buying you.

eMarketer:

Do you see a role for private equity firms acquiring martech vendors?

Elgin Thompson:

It’s unlikely that most companies will ever go public. When initial investors want a return, they look to sell the company. But if there’s nothing game-changing about them to be bought by that elite, desired buying universe, they just kind of tread water, right?

Maybe there’s a secondary deal to get that initial investor out, and sometimes that’s how private equity comes in. If the business is sustainable and the initial investor wants out, you cut a deal. Even if private equity can’t rise up to the cloud companies’ multiples on deals, they’re still able to pay up enough where a transaction could be attractive to the management team and owner. So you’ll see private equity step into the breach and make an acquisition or two.

eMarketer:

There are even **ad tech firms buying publishers** now. Do you expect to see more of that?

Elgin Thompson:

It's an existential moment by the ad agencies and the ad buying platforms. There are so many ad tech players, and you hear this term "ad tech tax" on the part of the advertiser having to pay. Then the question becomes what can we do as an ad tech platform to sustain our future? In many instances, having a direct relationship to the publisher is the way to do that.

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