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MediaMath adds Upcast, examines more deals

By **Jaewon Kang**   Updated 05:00 PM, Oct-16-2014 ET

MediaMath Inc. made its second acquisition of the year Thursday, Oct. 16, by scooping up Upcast Social Ltd., and the New York advertising technology house is looking at more potential deals.

MediaMath announced Thursday it had purchased London social advertising technology company Upcast for an undisclosed sum. The deal comes six months after it scooped up cross-device advertising technology provider Tactads on April 16.

MediaMath CEO Joe Zawadzki said Thursday that MediaMath wanted to make an acquisition in the Preferred Marketing Developer space and started a process at the end of 2013 to identify potential targets. PMD companies develop tools for advertising on **Facebook Inc.** (FB) that can also be integrated into other social networks, such as that of **LinkedIn Corp.** (LNKD).

The company initially identified more than 70 potential targets and then narrowed the pool to around a dozen companies, with whom MediaMath held live trials. Zawadzki said after holding serious discussions with a high single-digit number of companies, MediaMath entered exclusive negotiations with Upcast about four months ago, and the acquisition closed this morning.

Zawadzki explained MediaMath's acquisition philosophy has been driven by looking to build a platform of "a full suite of tools," pointing to its expansion in creative technology through the 2010 acquisition of Adroit Interactive LLC and tapping into mobile and video advertising through the 2012 acquisition of **Tap.Me** Inc.

MediaMath will continue to pursue acquisitions, Zawadzki said. He also did not rule out the possibility of considering an initial public offering.

"All things are possible," the CEO said. "I'm extremely excited to build an amazing business."

Still, he explained that right now it makes sense for MediaMath to focus on growing organically and through acquisitions.

Founded in 2007, the New York company has been active with venture capital funding as well as acquisitions. It most recently announced in June that it had secured $73.5 million in Series C financing from Spring Lake

Equity Partners, **Akamai Technologies Inc.** (AKAM), **Safeguard Scientifics Inc.** (SFE), **Catalyst Investors** and Observatory Capital. MediaMath also received $105 million in debt financing syndicated by **Silicon Valley Bank**. The company said it has secured a total of about $178 million in VC funding and generated about $310 million in revenue last year.

With the latest purchase, the advertising technology house has beefed up its social buying capabilities, explained Terence Kawaja, founder and CEO of investment bank **Luma** Partners LLC, adding that it makes sense for any scaled player in the ad tech space to extend its footprint in multiple channels.

"I do think that we're starting to see a formation of a shortlist of leading contenders" in the industry, Kawaja said, adding that in addition to media giants such as Facebook, **Google Inc.** (GOOG), **Yahoo! Inc.** (YHOO) and **Twitter Inc.** (TWTR), a group of private companies has developed capabilities beyond traditional display ad tech.

Some have chosen to stay private to continue financing to build fuel to fight in what he calls a "game of thrones" for market share in a growing industry.

MediaMath seems to be following the trend of integrating social media into programmatic advertising, as more players in the space look to incorporate as many channels as possible, said Ken Robinson, managing partner at marketing and advertising industry consulting firm Ark Advisors LLC.

Social media in particular has become a major force in display advertising, said John Matthews, senior adviser at investment bank **DeSilva & Phillips LLC**.

Matthews said after more acquisitions, MediaMath will be well-positioned to emerge as a potential acquisition target for larger peers such as **Salesforce.com Inc.** (CRM) and **Oracle Corp.** (ORCL). **Yahoo** and Twitter could express interest as well, but enterprise companies are likely to see a better fit in MediaMath, Matthews noted.

Officials with **Salesforce.com** and **Oracle** declined comment. Yahoo and Twitter officials did not respond to requests for comment.

Still, Matthews explained that the amount of VC funding MediaMath has secured could make a potential deal difficult for middle-market companies and thus reduce the pool of potential bidders.

MediaMath and Upcast did not retain investment banks for the transaction. MediaMath retained **Deloitte LLP** for accounting advice and **Dentons** for legal counsel, while Upcast tapped Kingsmill Accounting Ltd. for accounting advice and Kemp Little LLP for legal counsel.

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